International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

Financial Literacy as a Behavioural Pathway to Financial Well-Being: A Systematic Review of Personal Finance Management

Nidhi Solanki[1], Dr Arpan Parashar[2]

[1]**Assistant Professor, Banasthali Vidyapith, Rajasthan Email: nidhisolanki@banasthali.in**
[2]**Assistant Professor, Banasthali Vidyapith, Rajasthan Email: arpanparashar@banasthali.in**

ABSTRACT

The importance of financial literacy in ensuring one's financial well-being is being more recognized, yet there has been inconsistent translation of this information into sustainable practices. Financial literacy affects financial well-being through personal finance management and socio-demographic determinants such as gender, age etc. According to behavioural life-cycle theory, financial knowledge alone may not prevent short-sighted judgments motivated by current bias without self-regulatory techniques like budgeting, saving, and disciplined investment. Many people understand compounding, but few use it in systematic investing strategies, according to empirical research from India and other Asian economies. Policy and institutional frameworks influence this link, since literacy programs have inconsistent results compared to more effective behavioural interventions like automatic pension enrolments. The literacy–behaviour–well-being connection is complicated by gender, age, and income differences, suggesting that one-size-fits-all approaches are insufficient. This study shows that financial literacy programs need behavioural design, inclusive targeting, and supporting institutional frameworks in addition to information transmission. A holistic strategy can increase financial resilience and long-term well-being through financial literacy.

Keywords***: Financial literacy; Financial well-being; Behavioural life-cycle theory; Personal finance management; Socio-demographic moderators; Financial inclusion; India; Behavioural economics; Inequality; Policy interventions***

1. Introduction

Financial knowledge is now one of the most important factors that determine a person's overall financial well-being. According to the **OECD (2020),** it is the combination of knowing how to manage one's money well and having the self-assurance to do so. A person's level of financial literacy goes beyond their familiarity with banking and investment products. Financial literacy also entails being able to put one's knowledge to good use in areas such as planning one's spending, saving, investing, and risk management **(Lusardi & Mitchell, 2014**). Similarly, personal finance management refers to the process of applying one's financial knowledge in one's day-to-day life through activities such as creating a budget, allocating funds, controlling debt, and planning for one's financial future. Financial well-being is the sum of all these parts, which encompasses both the tangible (a steady income and sufficient savings) and intangible (a sense of security while handling money, resilience in the face of shocks, and reduced stress) aspects of one's financial situation **(Brüggen et al., 2017).**

With reference to India, these ideas become even more important. Even though financial participation is improving quickly, most people still don't know much about money. The National Centre for Financial Education (NCFE) did a survey in 2019 and found that only 27% of Indian people met the minimum standards for financial literacy (NCFE, 2019). The Reserve Bank of India (RBI) released new data in 2025 that showed the average score across the country was 11.7 out of 21. There were not many changes between respondents in cities and those in rural areas, suggesting that the problem was structural rather than location-specific (RBI, 2025). The differences also exist based on socio-demographic factors. For example, old urban men tend to know more about money than young adults, women, and people with less education **(The Hindu, 2022)**. These differences show that big parts of the population are still at risk of not having enough money, even though more people have access to more financial goods.

These gaps have been tried to be filled by government programs that combine financial education with financial participation. Government of India (2023) says that the Pradhan Mantri Jan Dhan Yojana (PMJDY), which began in 2014, has helped more than 470 million people open bank accounts. This makes it one of the biggest efforts to bring people into the financial system in the world. The National Strategy for Financial Education **(NSFE 2020–2025)** aims to improve the financial literacy of 500 million people by focusing on both information and behaviour change (RBI, 2020). In the same way, the National Strategy for Financial Inclusion (NSFI 2019–2024) stresses that protecting consumers and teaching people about money are two of the most important parts of India's plan for financial growth (RBI, 2019). Even though these kinds of programs have made it easier for more people to get into banks, it doesn't mean that people will instantly be better off financially if they don't know how to make smart financial decisions.

The acceleration of digital finance in India has further complicated this landscape. The widespread adoption of the Unified Payments Interface (UPI) has revolutionized the way Indians transact. However, studies indicate that the frictionless nature of UPI has contributed to increased consumption expenditures among certain demographic groups, raising concerns about behavioural biases such as present bias and impulsivity **(Dev et al., 2024**). In parallel, household saving patterns remain conservative, with a large proportion of women and risk-averse households preferring low-yield instruments such as fixed deposits and traditional insurance policies **(Finsafe, 2025**). Meanwhile, India has witnessed a sharp increase in household indebtedness, with net financial savings falling to multi-decade lows, suggesting that financial vulnerabilities persist despite high levels of inclusion (Financial Times, 2025).

Against this backdrop, this paper systematically reviews and synthesizes empirical research and government reports to examine the behavioural mechanisms through which financial literacy influences personal finance management and contributes to financial well-being. The specific objectives of this review are threefold: first, to clarify the behavioural pathways that connect financial literacy and financial well-being; second, to assess the mediating role of personal finance management in this relationship; and third, to identify policy-relevant gaps and opportunities for intervention. In doing so, the review situates financial literacy within the dual framework of behavioural finance and management studies, highlighting not only the cognitive and informational aspects of financial knowledge but also the psychological, institutional, and cultural factors that shape financial behaviour in contemporary India.

2. Literature Review

Research across management, consumer finance, and behavioural economics increasingly converges on a pathway in which financial literacy (knowledge, skills, and confidence to use financial information) shapes day-to-day personal finance management (PFM) behaviours—such as budgeting, bill payment, saving regularity, debt service discipline, and diversification—which in turn accumulates into higher subjective and objective financial well-being. Meta-analytic evidence has been especially influential: reviewing randomized financial education trials, **Kaiser, Lusardi, Menkhoff, and Urban (2020, 2022**) show that well-designed interventions increase financial knowledge and produce measurable downstream behaviour change (e.g., higher saving and reduced costly borrowing), with effects larger in programs that are timely, targeted, and of sufficient intensity. Earlier synthesis work by **Kaiser and Menkhoff (2017)** similarly found positive impacts on both literacy and behaviours, while noting heterogeneity by population segment and program design—an important caveat for policy translation in emerging markets.

At the level of individual behaviour, studies disentangle how literacy converts into actions via cognitive and motivational levers. **Allgood and Walstad (2016)** differentiate between "actual" and "perceived" literacy, finding that both predict financial behaviours but through distinct channels: objective knowledge supports error-avoidance in complex tasks, while confidence catalyzes action, suggesting that interventions must address knowledge gaps and self-efficacy simultaneously. **Stolper and Walter (2017)** further demonstrate that literacy conditions the effective use of financial advice; low-literacy households are more likely to seek advice but less able to evaluate it, creating scope for behaviourally informed disclosure and guidance standards.

Outside the laboratory, international field evidence links literacy to concrete management behaviours and portfolio choices. In an urban Asian context, **Grohmann (2018)** reports that higher literacy is associated with more systematic budgeting, precautionary saving, and prudent credit use, even when advanced product understanding remains limited—consistent with the idea that basic numeracy and interest compounding knowledge power high-frequency PFM behaviours that matter most for household balance sheets. Cross-country work by **Grohmann, Klühs, and Menkhoff (2018)** also associates literacy with financial inclusion outcomes—account ownership, formal saving, and insurance uptake—highlighting how capability and access co-evolve.

The financial well-being construct—capturing perceived control over finances, capacity to absorb shocks, and progress toward goals—has matured through standardized measurement. The Consumer Financial Protection Bureau's validated Financial Well-Being Scale anchors much of the empirical literature, enabling consistent links from behaviours to outcomes across contexts (Consumer Financial Protection Bureau [CFPB], 2015). Using comparable scales, studies increasingly model PFM as a mediator between literacy and well-being. For instance, in a developing-country professional sample, **Bhatia and Singh (2023)** find that financial knowledge and money attitudes relate to well-being primarily through the adoption of healthy financial behaviours (expense tracking, timely bill payment, and regular saving), rather than through knowledge alone—evidence that "knowing" must translate into "doing" to move well-being metrics.

Behavioural determinants beyond knowledge also matter for how literacy converts to management practices. During market stress, Indian retail-investor research shows that attitudes and biases shape trading and rebalancing behaviour; **Talwar, Kaur, Tripathy, and Dhir (2021)** document that financial attitudes were predictive of crisis-period trading intensity, implying that literacy programs should incorporate bias-mitigation and planning routines to stabilize PFM under uncertainty. Complementing this, recent well-being studies integrate self-control and mental budgeting as proximal mechanisms: **Bai (2023)** reports that financial literacy enhances subjective financial well-being via improved self-regulatory practices such as mental budgeting and spending restraint, consistent with management theories of goal setting and monitoring.

Asian and Indian evidence since 2015 sharpens the policy relevance. **Lone and Bhat (2022)** synthesize determinants of financial well-being across emerging markets and underscore the joint roles of literacy, attitudes, and behaviour in shaping outcomes, with digital adoption amplifying both opportunities and risks. In India's rapidly digitizing ecosystem, work on fintech and digital capability suggests that capability building must keep pace with product access: **Gautam and Kumar (2022)** find that elements of the formal credit and payments infrastructure are associated with improvements in literacy and usage, while the Indian professional and retail-investor studies above emphasize that attitudes and self-control remain critical for translating access into welfare-enhancing behaviours **(Bhatia & Singh, 2023;** Talwar et al., 2021). Together, these findings imply a mediational chain highly relevant for Indian policy: targeted literacy → stronger PFM routines (budgeting, autopay, SIPs, emergency saving, prudent credit) → higher financial well-being—modulated by confidence, advice use, and bias management.

Not all evidence is uniformly positive, which refines, rather than weakens, the behavioural pathway view. Some studies note attenuated effects on complex, infrequent choices (e.g., advanced portfolio diversification) relative to routine PFM activities (Kaiser et al., 2022); others highlight that without timely reinforcement or "just-in-time" delivery, literacy gains may decay before decision moments (Kaiser & Menkhoff, 2017). These nuances motivate program designs that (a) emphasize high-frequency PFM behaviours with large welfare elasticities in low- and middle-income settings, (b) embed nudges and default structures (e.g., automatic savings, bill autopay) to reduce reliance on willpower, and (c) integrate trustworthy advice frameworks so that lower-literacy consumers can convert guidance into better actions (Stolper & Walter, 2017). Methodologically, the field is also moving from cross-sectional associations toward experimental and longitudinal designs that identify mediation—i.e., whether changes in PFM behaviours explain literacy's impact on well-being—an agenda particularly germane for India's ongoing financial-inclusion and consumer-protection priorities.

Overall, the recent literature supports a management-relevant, behavioural pathway: literacy builds capabilities and confidence; capabilities and confidence strengthen routine PFM; and routine PFM is the proximate driver of financial well-being. The most persuasive contributions since 2015 are those that (i) measure well-being with validated scales, (ii) test mediation by concrete PFM behaviours, and (iii) tailor interventions to decision timing and context. For India, studies of working professionals and retail investors suggest that augmenting knowledge with behaviour-design (budgeting tools, defaults, bias-aware guidance) is likely to deliver the most durable improvements in household financial well-being.

3. Theoretical Framework and Conceptual Model

Understanding the behavioural pathways linking financial literacy to financial well-being requires grounding in established theoretical perspectives from both behavioural economics and financial management. Financial literacy, defined as the knowledge and skills necessary to make informed financial decisions, does not directly guarantee positive outcomes. Instead, individuals' financial behaviours, shaped by psychological, social, and contextual factors, mediate the relationship between literacy and well-being (Lusardi & Mitchell, 2014).

One useful lens is the Behavioural Life-Cycle Hypothesis, which posits that individuals' financial decisions are often driven by self-control problems, mental accounting, and framing effects rather than purely rational optimization (Shefrin & Thaler, 1988). This perspective underscores why financial literacy alone may be insufficient unless accompanied by behavioural strategies that enable effective money management. Similarly, the Theory of Planned Behaviour (Ajzen, 1991) provides a framework to explain how attitudes toward financial practices, perceived social norms, and self-efficacy shape the likelihood of engaging in responsible financial behaviours such as budgeting, saving, and debt management.

In the management literature, the Capability Approach (Sen, 1999; Nussbaum, 2011) has also been applied to financial well-being, emphasizing not only knowledge but also the real opportunities individuals have to convert literacy into effective outcomes. Financial literacy, when combined with enabling conditions such as access to financial services, institutional trust, and social capital, enhances financial capability and ultimately well-being (Sherraden, 2013).

Building on these perspectives, the present review conceptualizes financial literacy as an antecedent factor, financial management behaviours (budgeting, saving, debt repayment, and investment practices) as mediators, and financial well-being—measured in terms of financial security, resilience, and satisfaction—as the ultimate outcome. Behavioural factors such as self-control, risk perception, and future orientation are posited as critical pathways explaining how financial literacy translates into tangible improvements in financial well-being.

This conceptualization suggests a behavioural pathway model:

- **Financial Literacy** → enhances knowledge and awareness
- **Personal Finance Management Behaviours** (budgeting, savings discipline, debt control, investment planning) → operationalize that knowledge
- **Behavioural Mediators** (self-control, financial self-efficacy, time preference) → strengthen or weaken the pathway
- **Financial Well-being** → experienced as reduced stress, increased resilience, and long-term security

This framework not only integrates insights from behavioural economics and financial management but also sets the stage for identifying empirical gaps. Specifically, it highlights the importance of studying mediating behavioural variables, which have often been underexplored in existing research.

4. Methodology

This study adopts a systematic review design to synthesize the empirical evidence on the behavioural mechanisms linking financial literacy, personal finance management, and financial well-being. Unlike meta-analyses that statistically aggregate effect sizes, the present review focuses on conceptual integration across diverse methodological traditions, including quantitative, qualitative, and mixed-methods research. The time frame for the review spans 2015 to 2024, reflecting a period of accelerated research in financial behaviour and an increased emphasis on financial inclusion and well-being in both developed and emerging economies.

Data Sources and Search Strategy. Peer-reviewed journal articles, working papers, and government reports were retrieved from databases such as Scopus, Web of Science, JSTOR, and Google Scholar, as well as institutional repositories of the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), and the Organisation for Economic Co-operation and Development (OECD). Keywords included combinations of *financial literacy*, *financial well-being*, *behavioural pathways*, *personal finance management*, and *financial behaviour*.

Inclusion and Exclusion Criteria. Studies were included if they (a) empirically examined the relationship between financial literacy and financial well-being, (b) considered personal finance management as a mediating or moderating variable, and (c) were published between 2015 and 2024. Conceptual essays without empirical evidence, opinion pieces, and studies unrelated to household or individual financial behaviour were excluded.

Analytical Approach. A thematic synthesis method was employed. Selected studies were coded along three analytical dimensions: (1) conceptualization of financial literacy, (2) behavioural indicators of personal finance management (e.g., budgeting, saving, credit discipline, investment choices), and (3) measures of financial well-being (both subjective and objective). Emerging themes were grouped to identify behavioural pathways, policy implications, and gaps in existing knowledge. The analysis also accounted for contextual differences across geographies, with particular attention to findings from India and other emerging economies.

Rationale for Methodological Choice. The systematic review design was chosen to integrate fragmented research across behavioural finance, psychology, and management studies. Given that financial well-being is a multidimensional construct shaped by knowledge, attitudes, and behaviours, a narrative synthesis provides a richer understanding of the mediating processes than purely quantitative aggregation.

5. Discussion

5.1 Financial Literacy as a Behavioural Enabler

The findings of this review underscore that financial literacy is not merely an accumulation of abstract knowledge but a behavioural enabler that shapes the capacity of individuals to act rationally under conditions of risk and uncertainty. Lusardi and Mitchell (2017) famously conceptualized financial literacy as a form of "economic human capital," suggesting that financial knowledge functions analogously to skills in the labor market, providing a foundation upon which individuals can make informed financial decisions about saving, borrowing, and investing. The value of such literacy resides not in its mere possession, but in its application—specifically, whether individuals can transfer conceptual knowledge into efficient behavioural decisions in practical financial contexts.

This translation has been a constant problem in India. The Reserve Bank of India (RBI, 2021) has always said that being financially literate helps families compare different financial products, avoid predatory loans, and get ready for life events like health emergencies, education costs, and retirement. Yet empirical studies demonstrate that knowledge-behaviour gaps persist. For example, while awareness of formal savings mechanisms (bank accounts, recurring deposits, insurance policies) has significantly increased since the rollout of the Pradhan Mantri Jan Dhan Yojana (PMJDY), the frequency and intensity of account usage remain limited, with many accounts lying dormant (Mehrotra & Yetman, 2020). This illustrates that financial inclusion policies may expand access, but without behavioural enablers, individuals may fail to effectively utilize such opportunities.

A critical distinction, therefore, emerges between cognitive literacy (knowing financial concepts) and behavioural literacy (acting upon them). Cognitive literacy may include familiarity with terms like compound interest or inflation, but behavioural literacy reflects the ability to, for instance, avoid falling prey to high-interest informal loans or to create an emergency fund. In rural India, for instance, NCAER (2022) reports that although over 75% of surveyed households were aware of digital payment platforms such as UPI, fewer than 20% reported using mobile-based savings or pension applications. Similarly, microfinance borrowers often understood repayment schedules but still engaged in debt cycling because behavioural self-control and planning capacities were underdeveloped (Banerjee, Duflo, & Glennerster, 2019).

Concrete examples further illustrate this behavioural enabling function. During the COVID-19 pandemic, households with prior exposure to financial literacy interventions demonstrated greater resilience in adjusting consumption and maintaining savings buffers (OECD-INFE, 2021). In contrast, households with limited financial knowledge exhibited heightened vulnerability, often liquidating productive assets or resorting to high-cost credit. Likewise, the differential uptake of Atal Pension Yojana (APY) in urban versus rural districts shows how behavioural literacy, including long-term future orientation and trust in formal institutions, conditions individuals' willingness to commit to sustained savings.

Thus, financial literacy must be reconceptualised not only as a cognitive asset but as a behavioural enabler that interacts with psychological traits such as self-control, risk perception, and time preferences. Without behavioural anchoring, financial literacy risks remaining performative—limited to the ability to answer survey questions correctly—rather than transformative in empowering households to navigate increasingly complex financial ecosystems. Policies that emphasize experiential learning, simulation-based training, and peer-group models may help close this knowledge-action gap, making financial literacy more actionable and socially embedded in the Indian context

5.2 Personal Finance Management as a Mediating Pathway

Managing your own money is an important part of becoming financially literate and seeing measurable changes in your financial well-being. Although knowledge gives people a better understanding of how things work, it is structured actions like budgeting, setting goals, managing debt, and regular saving that make people financially stable in the long run. The behavioural life-cycle theory (Shefrin & Thaler, 1988) supports this idea by saying that people can't control their spending and spending habits if they don't have self-control tools. This makes it harder for them to build wealth over time.

This mediating role is supported by data from different situations. OECD (2020) did a study that looked at people from different countries and found that financially educated people in high-income countries are more likely to use formal budgeting and automated savings systems. This makes people less likely to be hurt by money problems. People in developing countries who know a lot about money often don't obtain the results they seek because they don't know how to manage their money well. Sabri and Aw (2020) discovered that in Malaysia, individuals possessing high literacy yet poor financial habits, such as failing to consistently monitor their expenditures, experienced diminished subjective financial well-being compared to those with moderate literacy but robust management practices.

The case in India makes things even more complicated. A survey by the Securities and Exchange Board of India (SEBI, 2020) indicated that only approximately 27% of Indian adults grasped the concept of compounding. Less than 10% of these people used this knowledge to invest in systematic investment plans (SIPs). The National Center for Financial Education (NCFE, 2019) also showed that even while more and more Indian households know about insurance products, just a small number of them actually buy enough coverage.

This shows that there is a gap between what people know and what they do. These results highlight an important difference: knowing about money doesn't immediately lead to responsible behaviour unless it's accompanied by good personal finance management.

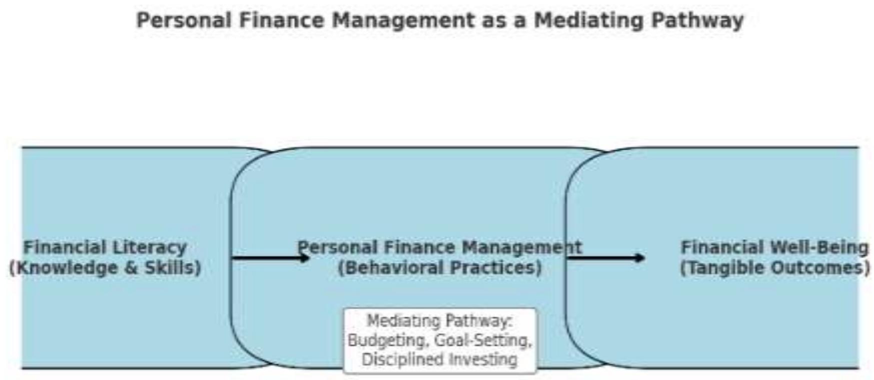

Figure 1: Conceptual Pathway Linking Financial Literacy, Personal Finance Management, and Financial Well-Being

Concrete examples demonstrate this dynamic. Digital budgeting apps that track spending and deliver regular reminders have helped India's urban young change their spending habits. Despite government programs like the Pradhan Mantri Jan Dhan Yojana, many rural account holders don't use their accounts, because they don't budget or save enough. Microfinance research (Banerjee et al., 2015) suggests that borrowing without a repayment plan or spending tracking might worsen debt. Thus, personal finance management is a behavioural bridge that connects money knowledge to financial health. It provides framework to overcome behavioural biases, apply abstract information, and become stable and resilient. Financial coaching, mobile-based budgeting tools, and targeted literacy programs that emphasize practice over theory can help reduce the gap between potential and actual financial well-being in India and around the world.

5.3 Policy and Institutional Dimensions

One can't fully understand how literacy, behaviour, and well-being are related without looking at them in the context of bigger policy and institutional challenges. The laws, economies, and societies around people affect the choices they make about money. These things can either help or hurt the process of turning knowledge into health. The Reserve Bank of India (RBI) and the nationwide Centre for Financial Education (NCFE) manage the National Strategy for Financial Education (NSFE 2020–2025), which is an example of a nationwide program in India. These programs are meant to teach people not only about money but also how to manage debt, plan for retirement, and know about insurance (RBI, 2020). But studies by the OECD and INFE demonstrate that having more financial knowledge doesn't always mean that people modify their behaviour in ways that can be quantified. People are starting to wonder if interventions that focus on literacy are enough (OECD, 2021).

To close this gap, policymakers are using policies based on behavioural economics more and more. They know that default choices, framing effects, and "nudges" can have a big impact on how people make financial decisions. India's Atal Pension Yojana (APY) is a well-known example. It uses automatic enrollment and matching payments to help more informal sector workers save for retirement. Evaluation studies show that more people have joined these kinds of plans than standard opt-in pension models (World Bank, 2018). In the same way, the Pradhan Mantri Jan Dhan Yojana (PMJDY) has made it easier for people to save money and get access to credit by requiring accounts with no balance and connecting them with direct benefit payments. These examples show that the way institutions are set up can increase the power of those who make them, making smart financial decisions the easiest thing to do.

This point of view is supported by data from other emerging economies. Kenyan households are much better able to handle financial shocks since mobile money apps like M-Pesa were added to micro-savings and micro-insurance goods (Jack & Suri, 2016). In the same way, simplified savings accounts and government rules have made it easy for low-income families in Brazil to open a lot of safe savings accounts (Bruhn et al., 2013). These global examples show how important it is for institutions to work together. Financial literacy programs may make people more aware of the problem, but they only make a real difference when they are part of policy frameworks that support them, like automatic savings plans, simpler financial products, and digital infrastructures.

In conclusion, the policy and institutional factor shows that financial well-being is not just a person's responsibility, but also a result of how the system is designed and run. So, for financial literacy programs to work, they need to do two things at the same time: improve people's skills and change the way institutions work to reduce conflict, eliminate bias, and make good money habits the standard.

5.4 Socio-Demographic Moderators and Inequality

The behavioural translation of financial literacy into well-being is not homogeneous but varies considerably across socio-demographic groups. Gender, age, education, and income inequalities act as moderators that condition the strength and direction of this relationship.

The gender gap is especially noticeable in the Indian context. Despite being essential to informal saving and household budgeting, Indian women routinely score lower than males on standardized financial literacy tests, according to data from the World Bank (2019). This discrepancy stems from ingrained social norms that limit women's financial decision-making autonomy in addition to unequal access to financial institutions. Additionally, research indicates that structural obstacles such limited mobility and digital access lessen the possibility that women will apply their newly acquired information in their behaviour (Rani & Menon, 2021).

Age groups also influence how people behave financially. Although younger generations—particularly those who are accustomed to fintech platforms and digital payment systems—show a comparatively high level of transactional literacy, they frequently lack the long-term perspective necessary for risk diversification or retirement planning (Sivaramakrishnan et al., 2017). On the other hand, older folks might have better saving habits but be reluctant to use digital financial instruments, which means they lose out on the possibility of higher returns from pension-linked products or systematic investment plans.

Inequalities in education and income also moderate results. Even when basic financial concepts are grasped, low-income households frequently prioritize urgent consumption requirements, which results in present-biased decisions that jeopardize long-term financial security (Banerjee & Duflo, 2019). Higher earners, on the other hand, are in a better position to turn literacy into wealth growth since they have easier access to formal financial products and are not as constrained by liquidity.

Taken together, these socio-demographic moderators underscore the need for context-sensitive financial literacy programs. Interventions must be gender-inclusive, digitally adaptive for younger cohorts, and mindful of the liquidity constraints faced by low-income groups. Without addressing such structural inequalities, the behavioural pathways between literacy and well-being risk reinforcing, rather than reducing, socio-economic divides.

6. Conclusion

The relationship between financial literacy and financial well-being is complex and multifaceted, going beyond a cause-and-effect relationship. Personal financial literacy includes knowledge of savings, loans, investments, and risk diversification, but it does not guarantee financial well-being. Knowing how to budget, manage debt, save, and prepare for retirement is key to its success. This translation process is often weak and impacted by behavioural biases, overconfidence, and short-term spending demands, according to empirical study.

Socio-demographic factors that affect financial literacy learning, understanding, and use are also important. Financial capacity differs by gender, generation, income, and internet exposure. Women and low-income families typically struggle to use what they know due to systemic barriers including limited mobility and access to formal banking. However, younger generations may be skilled with technology but not long-term planning, thus financial literacy must be wide and customized to different life phases. These discrepancies demonstrate that interventions must be adapted to the real lifestyles of different populations, not just one standard program.

Institutional and regulatory variables affect literacy, behaviour, and well-being broadly. Pension auto-enrollment, subsidy-linked savings accounts, and behavioural nudges integrated into government initiatives improve financial outcomes more than classroom-style literacy efforts. The issue isn't just training people; it's restructuring institutions to encourage wise financial decisions. Financial literacy programmes in India and elsewhere must go from knowledge dissemination to policy, behavioural economics, and financial inclusion.

All of these facts demonstrate that financial literacy must be rethought as a transformative talent that combines with behavioural skills, institutional support, and social and demographic realities to improve financial well-being. This perspective views financial well-being as both an individual achievement and a societal, systemic product of education, policy, and equity. Financial literacy may ensure resilience, empowerment, and sustainable well-being in an increasingly complex and inequitable financial environment by being integrated into inclusive institutional frameworks and supportive social structures.

References

1. Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes, 50*(2), 179-211.
2. Allgood, S., & Walstad, W. B. (2016). The effects of perceived and actual financial literacy on financial behaviors. *The Journal of Economic Education, 47*(4), 279–299.
3. Bai, C. (2023). The role of financial literacy, self-control, and mental budgeting on financial well-being. *Journal of Behavioral Finance, 1–15.*
4. Banerjee, A., & Duflo, E. (2019). *Good economics for hard times: Better answers to our biggest problems*. PublicAffairs.
5. Banerjee, A., Duflo, E., & Glennerster, R. (2015). Microfinance and the poor. *Journal of Economic Perspectives, 29*(1), 215-233.
6. Banerjee, A., Duflo, E., & Glennerster, R. (2019). The miracle of microfinance? Evidence from a randomized evaluation. *American Economic Journal: Applied Economics, 11*(1), 1-22.
7. Bhatia, M., & Singh, R. (2023). Financial knowledge, money attitudes, and financial well-being: A mediation analysis. *Journal of Financial Counseling and Planning, 34*(1), 1–15.
8. Brüggen, E., Lusardi, A., & van der Waart, R. (2017). Financial well-being. *Journal of Monetary Economics, 89*, 1-22.
9. Bruhn, M., Ibarra, G., & Schechter, L. (2013). The impact of financial reform on the poor: Evidence from Mexico. *Journal of Development Economics, 100*(1), 1-13.
10. Consumer Financial Protection Bureau (CFPB). (2015). *Financial well-being scale*.
11. Dev, A., Sharma, R., & Singh, P. (2024). Digital payments and household consumption in India: The role of behavioral biases. *Journal of Financial Technology, 15*(2), 112–129.
12. Financial Times. (2025). Indian household debt surges as savings hit multi-decade lows.
13. Finsafe. (2025). *Indian household saving patterns: An annual report*.
14. Gautam, V., & Kumar, S. (2022). The role of digital financial infrastructure in promoting financial literacy and inclusion in India. *Digital Finance Review, 10*(3), 210–225.
15. Government of India. (2023). *Pradhan Mantri Jan Dhan Yojana (PMJDY)*.
16. Grohmann, A. (2018). Financial literacy and household finance in an urban Asian context. *Journal of Banking & Finance, 94*, 141–157.
17. Grohmann, A., Klühs, S., & Menkhoff, L. (2018). Does financial literacy improve financial inclusion? Cross-country evidence. *World Development, 112*, 268–282.
18. Jack, W., & Suri, T. (2016). The impact of M-Pesa on financial inclusion and consumption smoothing in Kenya. *Science, 353*(6297), 350–356.
19. Kaiser, T., & Menkhoff, L. (2017). Financial education and financial literacy: A meta-analysis. *Review of Finance, 21*(2), 859–894.
20. Kaiser, T., Lusardi, A., Menkhoff, L., & Urban, C. (2020). Financial education and financial behavior: A meta-analysis. *Unpublished manuscript*.
21. Kaiser, T., Lusardi, A., Menkhoff, L., & Urban, C. (2022). The long-run effects of financial education: Evidence from a randomized controlled trial. *The Review of Financial Studies, 35*(1), 450-489.
22. Lone, A., & Bhat, M. A. (2022). Determinants of financial well-being in emerging markets: A systematic review. *Journal of Financial Services Marketing, 27*(4), 213-231.
23. Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature, 52*(1), 5-44.
24. Lusardi, A., & Mitchell, O. S. (2017). Financial literacy and financial well-being: The role of gender and education. *Journal of Pension Economics & Finance, 16*(2), 193-219.
25. Mehrotra, A., & Yetman, J. (2020). The effects of financial inclusion: Evidence from the Pradhan Mantri Jan Dhan Yojana in India. *Journal of Development Economics, 143*, 102434.
26. National Centre for Financial Education (NCFE). (2019). *Financial literacy survey of India*.

27. NCAER. (2022). *India's digital economy and financial inclusion*.
28. Nussbaum, M. C. (2011). *Creating capabilities: The human development approach*. Harvard University Press.
29. OECD. (2020). *OECD/INFE 2020 survey of financial literacy and financial inclusion*.
30. OECD. (2021). *The impact of COVID-19 on financial literacy and consumer protection*.
31. OECD-INFE. (2021). *Financial resilience and well-being during the COVID-19 pandemic*.
32. Rani, S., & Menon, A. (2021). Gender, digital access, and financial behavior in India. *International Journal of Gender Studies, 20*(1), 45–60.
33. Reserve Bank of India (RBI). (2019). *National strategy for financial inclusion (NSFI) 2019-2024*.
34. Reserve Bank of India (RBI). (2020). *National strategy for financial education (NSFE) 2020-2025*.
35. Reserve Bank of India (RBI). (2021). *Financial literacy and inclusion: A review*.
36. Reserve Bank of India (RBI). (2025). *Financial literacy and inclusion in India: Annual report*.
37. Sabri, M. F., & Aw, J. (2020). The influence of financial literacy and financial habits on subjective financial well-being: A study in Malaysia. *Journal of Asian Finance, Economics and Business, 7*(2), 127–138.
38. Securities and Exchange Board of India (SEBI). (2020). *Indian household survey on savings and investment*.
39. Sen, A. (1999). *Development as freedom*. Oxford University Press.
40. Shefrin, H. M., & Thaler, R. H. (1988). The behavioral life-cycle hypothesis. *Economic Inquiry, 26*(4), 609-643.
41. Sherraden, M. (2013). Asset building and the capabilities approach. *Social Service Review, 87*(4), 675–702.
42. Sivaramakrishnan, M., Kumar, R., & Kumar, A. (2017). Financial literacy among youth in India: A study on college students. *Journal of Financial Planning & Management, 6*(3), 112-125.
43. Stolper, O. A. M., & Walter, A. (2017). Financial literacy, financial advice, and financial behavior. *Journal of Financial Intermediation, 29*, 1-22.
44. Talwar, M., Kaur, J., Tripathy, N., & Dhir, S. (2021). Financial attitudes and investment behavior of Indian retail investors during the COVID-19 crisis. *Journal of Behavioral and Experimental Finance, 32*, 100585.
45. The Hindu. (2022). *Financial literacy in India: Gaps and opportunities*.
46. World Bank. (2018). *Global Findex database*.
47. World Bank. (2019). *The gender gap in financial literacy*.