

Financial Literacy: A Means of Boosting an Individual's Financial Status with Reference to Burhanpur District of Madhya Pradesh

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ABSTRACT:

Financial literacy is an important financial component as per today's lifestyle and standard of living, as it's been recognised a crucial skill for those who are dealing with more complex financial situations as majority of people are middle class and therefore effective and rational financial decisions can be made by those who possess financial literacy. The study evaluates the level of financial literacy among individuals and investigates the effects of demographic variable like gender and year of working experience on financial literacy and also analysing the awareness level. The results of the study demonstrate that people's financial literacy in surveyed region is not up to the mark, both male & female has low financial literacy as compared to other urban area and thus both require financial awareness and knowledge.

The paper investigate the starring role of the awareness and knowledge of financial literacy on individual financial status by using quantitative approach and assessing the relationship between financial literacy awareness with knowledge levels through the perception of individual and their financial behaviour. The study also try to evaluate the demographic factors with financial literacy and subsequently financial outcomes, it also identify determinants and evaluate the extent and role of financial literacy on individual financial growth, stability and development. The study on the behaviour of individuals with relate to the different knowledge level of financial knowledge among the various demographic variable of study found to be the supportive which highlights the importance of financial literacy towards boosting the financial status. Thus there is direct relationship between the financial literacy and the financial status the higher the literacy level the higher will be the financial status of individual

The result of study with statistical analysis found to be positive and validate that financial literacy play a supportive and fundamental role for improving the extent of financial improvement and assisting them, thus awareness towards financial tools empowering individual's wealth as well as helps in taking rational financial decisions for the overall wellbeing.

Keywords: *Financial Literacy awareness, Level of knowledge- low, moderate, high, financial behaviour on demographic variables*

INTRODUCTION:

Financial literacy refers to the comprehension and awareness of various financial elements that can enhance individuals' economic status. Financial education is an essential aspect for individuals seeking to elevate their standard of living. As an economic point of view both micro and macroeconomic levels, understanding financial literacy is essential. Possessing knowledge about financial instruments and making rational financial decisions is a vital skill that significantly impacts each person's income level. As per CEIC data – (India Gross Savings Rate was measured at 30.2% in Mar 2023)

Today in this global digital era not only individual citizens recognizing the importance of financial literacy, but various government agencies, businesses, educational institutions, and non-governmental organizations are also increasingly emphasizing the importance on it. Financial literacy is crucial for fostering rapid economic development and encompasses a wide range of topics. These include budgeting, debt management, investing, saving, setting financial goals, retirement planning, borrowing, interest rates, taxation, risk management, prioritizing savings, and managing credit scores all these are necessary to understand and individual's must have depth knowledge about all the above important variables for monetary wellbeing.

Consequently, all these financial terms are essential for both individuals and the entire population to possess a fundamental as well as advanced understanding that would aid in their economic improvement and thereby increase overall economic growth. However, people are being forced to concentrate on financial education and attempting to manage their financial assets due to rising prices and as their expectations to increase earning level. As a result, the paper covers a variety of aspects of financial literacy, including importance and its application in the current global context.

Financial literacy has a direct relationship with increasing income level as increase in financial literacy will directly affect to people's income level. In the world of globalization financial market provides numbers of financial instruments just need proper financial education and awareness among people regarding it. And proper understanding of these financial products will create an opportunity to earn higher level of profits.

As India a growing economy and the young minds of urban regions that possess extensive awareness & have a greater knowledge about the financial education as compared to the rural areas. However still large percentage in urban individuals financial literacy is not up to the mark and which has directly impacting their economic status. Therefore, Government and the other agency should take numerous steps and measure for improving the financial literacy in the country but still the mind set of people who reside in rural regarding the financial instrument is not up to a certain level some are scared for their losses, while others believe it's a gamble or risk game and other various similar negative perception about the various financial instruments. Huge percentage of people today struggle to understand various financial concepts and fundamentals which hinder their ability to manage their funds related to financial risks and prevent them from experiencing financial setbacks. Therefore, appropriate direction and supervision are necessary for enhancing their financial literacy.

Financial literacy in survey region is found to be low as compared to urban area and financial awareness need to be implemented in these areas and thus financial literacy has been shown to enhance people's ability to make wiser decisions, which in turn leads to prudent financial behaviour. Consequently, it may be claimed that increasing the level of financial literacy in study area is must to improve the standard of living.

In the current global era, it is essential for individuals to possess strong understanding of financial literacy and make prudent financial decisions that can enhance their earning potential. Without effective financial management, there is a risk of misallocating resources which can ultimately lead to a decrease in overall economic performance. Thus making correct financial decision will enhance retirement planning and gradually increase asset accumulation, therefore financial literacy is crucial.

LITERATURE REVIEW:

Dr. Shaili Gala (2022) study indicates that the youth in the Mumbai region face challenges in saving their monthly expenses. Despite these difficulties, they believe that investing in the stock market can enhance their wealth and demonstrate a certain level of understanding regarding it. Additionally, they perceive mutual funds as a less risky investment option, and they regard gold as a reliable means of wealth protection, considering it to be a low-risk asset.

Darshan Bankwala and Dr. Jaydip Chaudhari (2018) study examine that financial literacy is primarily assessed through the key components of knowledge, attitude, and behavior. In India, the use of scoring and indexing methods for this purpose is infrequent, resulting in a comparatively low level of financial literacy when measured against other nations. Several factors, including inadequate elementary education, gender, occupation, age, and income, significantly influence the state of financial literacy in the country.

Gulnoza Isomidinova and Jugindar Singh Kartar Singh (2017) study indicates that both financial education and financial socialization agents significantly enhance financial literacy. An increase in the levels of these two factors correlates with enhanced financial literacy among students. Other additional aspect is the money attitude did not demonstrate a significant effect on financial literacy.

Neha Ramnani Bhargava (2016) states that financial literacy in India is notably low; in fact, the entire framework of the financial system relies on the financial literacy levels of the general population. Policymakers should emphasize a bottom-up strategy, while implementation ought to follow a top-down approach

Lusardi, Mitchell and Curto (2010) study revealed that financial literacy among young adults is alarmingly low, with fewer than one-third demonstrating a fundamental understanding of concepts such as interest rates, inflation, and risk diversification. Many individuals struggle to make informed decisions concerning their personal finances and frequently encounter errors in their financial choices.

Jane Schuchardt, Sherman D. Hanna, Tahira K. Hira, Angela C. Lyons, Lance Palmer, and Jing Jian Xiao (2009) research indicates that the application of Behavior theory, Consumer economic socialization, Financial risk assessment, and financial education, along with program evaluation, are essential and crucial priorities for enhancing and building financial literacy and educational research.

METHODOLOGY:

The study based on primary and secondary data, primary data completely relies on structured questionnaire and information collected through simple random method and data of total 120 respondents were gather based on their demographic, personal finance and awareness about financial knowledge. And descriptive data like average, percentage and standard deviation were analysed and statistical test i.e. t-test and correlation were used to derive outcome.

Hypothesis-1:

There is significant difference between gender and financial literacy level with respect to selected surveyed area.

Hypothesis-2:

There is a relationship between working experience and financial literacy level with respect to selected surveyed area.

Hypothesis-3:

There is an association between financial literacy level and Individual's wealth with respect to selected surveyed area.

RESULTS AND DISCUSSIONS:

Hypothesis-1: There is significant difference between gender and financial literacy level with respect to selected surveyed area

H₀ - There is significant difference between the Financial Literacy Level between Male and Female

H₁ - There is no significant difference between the Financial Literacy Level between Male and Female

Table-1

Financial Literacy Level	Male	(%)	Female	(%)	Total
High	14	19.72 %	8	16.33%	22
Moderate	30	42.25%	22	44.90%	52
Low	27	38.03%	19	38.78%	46
Total	71	100%	49	100%	120 (Sample)

(Primary Survey)

The above table reveals that regarding the demographic factor that 42.25% male have moderate level of knowledge follow to 38.03% and thereafter only 19.72% male have high financial knowledge. For female the highest were 44.90% moderate level follows to 38.78 % same knowledge level for male & female is found during analysis. Thus both have almost same level of financial level is seen in study.

Table-2

t-Test: Two-Sample Assuming Equal Variances		
	Male	Female
Mean	1.8169	1.7755
Variance	0.5517	0.5110
Observations	71	49
Pooled Variance	0.5351	
Hypothesized Mean Difference	0	
df	118	
t Stat	0.3046	
P(T<=t) one-tail	0.3805	
t Critical one-tail	1.6578	
P(T<=t) two-tail	0.7611	
t Critical two-tail	1.9802	

(Primary Survey)

The *t*-value is 0.30465. The *p*-value is .761171. The result is *not* significant at $p < .05$.

The result is *not* significant, therefore our Null Hypothesis is rejected and alternative is accepted- there is no difference in Financial Literacy Level between Male and Female is found in study region. Therefore, there is no such major difference between the financial awareness and knowledge between gender as in these trend of digital era peoples is more aware about the different financial tool but in survey region it's not up to mark but still people have curiosity and youth are interested to learn these tools as various determinants has forced youth to manage their profit management as it will improve their living standard.

Hypothesis-2:

There is relationship between working experience and financial literacy level with respect to selected surveyed area.

H₀ - There is significant relationship between working experience and Financial Literacy Level

H₁ - There is no significant relationship between working experience and Financial Literacy Level

Table-3

Working Experience	Respondents	Percentage
4 year	23	19.16%
3 year	25	20.83%
2 year	28	23.33%
1 year	44	36.67%

(Primary Survey)

The above table find that 36.67% have only 1-year experience follows to 23.33% to 2-year and least only 19.16% with 4-year experience is found while analysis.

Table-4

Source of Relationship	Degree of Freedom	Computed r	Critical value r value	Decision on Ho at (0.05) alpha	Interpretation
Working Experience	98	0.55889803	0.204	Accept Null Hypothesis	Result is Not Significant
Financial Literacy					

Correlation between working experience and financial literacy level

Parameter	Value
Pearson correlation coefficient (r)	0.559
r ²	0.3124
P-value	3.27E-11
Covariance	0.4655
Sample size (n)	120
Statistic	7.3214

(Primary Survey)

The above table assess the results of the Pearson correlation indicated that there is a significant moderate relationship between working experience (X) and Financial Literacy Level (Y), ($r(118) = .559, p < .001$).

Therefore, the correlation result reveals that there is positive correlation between the two variable that year of working experience directly affects level of financial literacy, as youth involves in earning it increases its financial literacy because todays inflation rate make them necessary to increase their earning by connecting towards various financial understanding.

Hypothesis-3:

There is an association between financial literacy level and Individual's wealth with respect to selected surveyed area.

Measuring Level of Financial Literacy and Individual's Wealth: -

The hypothesis examines the relationship between Financial Literacy Level and its impact on Individual's wealth. Financial Literacy Level is determined by the responses to questionnaire, were those who answered all five or four questions correctly were categorized as having a High financial literacy level. Respondents who answered four or three questions correctly were classified as having a Moderate financial literacy level, while those who provided one or two or no correct answers were placed in the Low financial literacy level category. The same format was applied to assess the level of an individual's wealth, encompassing total stocks, real estate, cash, deposits, and other valuable assets.

Association Between Financial Literacy level and Individual's Wealth						
Level of Financial Literacy	Impact on Individual's Wealth				Chi-Square Result	p-value
	Low	Moderate	High	Row Totals		
Low	6 (27.27) [20.68]	7 (31.81) [16.27]	9 (40.90) [18.75]	22	9.7982	< 0.05*
Moderate	8 (15.38) [27.58]	16 (30.76) [37.20]	28 (53.84) [58.34]	52		
High	15 (32.60) [51.72]	20 (43.47) [46.51]	11 (23.91) [22.91]	46		
Column Totals	29	43	48	120 (Grand Total)		

Note: The value within the () refers to row percentage and the value within the [] refers to column percentage and * refers to significance at 5% level.

The chi-square statistic is 9.7982. The p-value is .043967. The result is significant at $p < .05$.

The study revealed from the data gathered from 120 respondents that 23.91% (11) perceived high financial literacy level and high profitability level and (20) respondent perceived moderate FL level and moderate probability level and 16 respondent perceived moderate FL level and moderate probability level and 27.27% (6) perceived FL level and low profitability level was observed. There is a significant relationship between the two variables association between financial literacy level and Individual's wealth, $\chi^2(4, N = 120) = 9.79, p < .05$.

The result drives from chi-square test indicate with statistics value which is 9.79 and p-value is .043967, therefore the null hypothesis is rejected at 5% level of significance. The study concludes that the alternative hypothesis is accepted i.e. There is significant association between financial literacy level and Individual's wealth is found in surveyed region.

CONCLUSION:

Today as concern with Financial Knowledge level a significant portion of the youth possesses theoretical knowledge; they often fall short in practical application. It is strongly recommended that both governmental bodies and educational institutions take proactive measures to foster savings habits and enhance financial management awareness among people especially for youth.

The study reflects the role of financial literacy to improve the level of wealth as in increasing complex economic phenomena financial literacy provide us security and improve the living standard thus improving individual and societal prosperity. Individual with proper financial awareness takes proper rational decisions and it also build a capacity to handle the various finances including budgeting, saving, investing and managing debt all these have direct connection with the financial stability and the gives opportunity to upward the level of wealth. As Neha Ramnani Bhargava also revels in her study that policymakers should prioritize bottom-up approaches, while top-down approaches should guide execution Therefore, it's necessary to have a fundamental understanding of financial concepts necessary for security and happiness, it's also needed for strategic investment plan for individual which will help them in their future and as a consequence improving individual wealth.

Thus its crucial to promote financial education in urban and rural areas, with a greater focus on the rural sector due to its lower educational standards and household income. Therefore, it is essential to carry out extensive financial education and awareness initiatives nationwide, and there should also be a clearly established system which will gives assurance for consumer protection and will resolve grievances.

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