THE SIGNIFICANCE OF "FINANCIAL LITERACY" IN EMPOWERING INDIVIDUALS: A REVIEW OF RESEARCH STUDIES

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Abstract

Scholars employ secondary data sources to conduct an all-encompassing literature review on the subject of "Financial Literacy." By utilizing information amassed from various research papers and online resources, including existing literature reviews, the researchers aim to grasp the aims, tackle the problem, and present a lucid summary of pertinent research papers. The outcomes of this inquiry underscore the significance of Financial Literacy and the essential knowledge and factors individuals need to contemplate in effort to make well-informed financial choices. This investigative study enhances our deeper comprehension of "Financial Literacy" and its ramifications for individuals' fiscal stability, achieved through the scrutiny and amalgamation of secondary data sources.

Keywords: *Financial Literacy, Financial Behavior, Financial Attitude, Financial Knowledge, Financial Decisions.*

Introduction

In today's world we are seeing that individuals are facing lot of problems for controlling their personal finances and ensuring long term financial stability. The central bank of India i.e. RBI organized survey on "Financial Literacy & Inclusion". The survey disclosed that there is an equal level of awareness of digital banking and knowledge among the people in India. The study examines various regions across the country, and they found that average score for both the segments i.e. rural and urban were 11.7 out of 21. However, RBI survey also indicated the importance of further improvement in knowledge about digital banking across all over the country. Research studies have shed light on effect of inadequate money management such as creating budget, borrowing, saving, investment in various financial instruments, and management of debt. All individuals including youngster's graduates, working women, and rural youth have been particularly affected by these challenges.

Several studies focused on specific demographic groups such as urban, youngsters, generation Y employees, working women and rural youth to gain insights into their "Financial Literacy" levels. Factors such as income, gender, education and social economic status have been found to play crucial roles in determining "Financial Literacy". Enhancing "Financial Literacy" has the potential to positively impact individuals` financial well-being – aid to economic growth, and foster a more inclusive and financially secure society.

To address the issue in "Financial Literacy" is essential for allowing individual to take knowledgeable financial choices, avoid financial pitfalls, and achieve financial wellbeing.

Literature Review

Agarwalla et al. (2013) explained the shrinking role of governments and employers in assisting individuals with their investment. This shift has increased the responsibility of individuals in handling their finance and protecting their financial future. However, poor "Financial Literacy" has been cause concern globally. Research has shown that less savings, bad investment decisions, and acquiring debt over a time of period by individuals. Even youngsters and graduates, have been heavily indebted due to loans and borrowings from credit cards. The study discussed on the "Financial Literacy" of youngsters in urban India and also examines the factors affecting their knowledge, behavior and attitude towards "Financial Literacy".

Sekar & Gowri (2015) examined the determining the degree of financial understanding into the employees in Gen Y in Coimbatore city, India. The research meant to explore how well informed these individuals were to take appropriate financial decisions and explained their sources of financial knowledge, as well as the challenges they faced in financial matters.

This study highlighted the need for financial knowledge due to complicated financial instruments, unawareness, and inadequate knowledge about financial matters. There is vary in "Financial Literacy" among individuals, and also gender gap played vital role in identifying "Financial Literacy" levels, High job security, uncertainty in income, and easily available consumption credit this factor influenced the financial behavior of generation Y employees.

This study addressed the gap in knowledge about "Financial Literacy" among individuals under the age of 35, particularly generation Y employees and focused to give the understanding of "Financial Literacy" in a diverse socio-economic context.

Gupta & Madan (2016) have given the level of financial knowledge between working women in digital era. The research has analyzed based on attitude, behavior and knowledge about finance. The study also examined the correlation between these three variables and the score of "Financial Literacy". The findings reveal that the average financial knowledge level of the respondents is significantly lower than 5, indicating a lack of understanding in financial concepts. The research highlighted the significance of enhancing "Financial Literacy" in working women, considering their susceptibility to various financial instruments as consumer.

Choudhari & Kamboj (2017) discusses the significance of "Financial Literacy" in today's globalized marketplace. Study focuses on the need for individuals to be furnished with mandatory financial knowledge and awareness in order to make the best manage of their finances. Researcher focused on the financial understandings of 500 participants from Haryana. They utilized a questionnaire developed by the OECD to access the financial understanding of the respondents. The findings indicated that only thirty percent of the sample displayed better "Financial Literacy" while many have only basic financial knowledge. Factors such as low income, income instability, and young age these socio demographic factors were related with deficient degree of "Financial Literacy".

Sudakova (2018) explores the issue of "Financial Literacy" (FL) and its significance in today's world. The author carried out a survey to study the level of financial understanding among the target audience. The survey disclosed that the target audience had less awareness of processes within the pension systems and bank products. According to a study, "Financial Literacy" programs are required to provide people the knowledge and skills they required to take wise financial decisions. The article also highlights the negative impacts of "Financial Literacy", such as high debt, becoming victims of fraud, and contribution to economic downturns.

Arya (2018) presented evidence from various surveys indicate that "Financial Literacy" in India was poor. The minor level of "Financial Literacy" and significant portion of the public remaining outside the formal financial system highlighted the need for financial education programs. Studies ranked India poor in terms of "Financial Literacy" as compared to other countries, with only around 35% respondents considered financially literate. However, despite the low knowledge levels, Indian displayed prudent financial behavior and a positive financial attitude. India encountered challenges due to limited resources and a lack of established banking relationships, which hindered informed financial decision-making for vulnerable groups.

Lusardi (2019) emphasizes the increasing importance of personal financial responsibility due to factors like longer life spans, strained pension systems, and changing job markets. It points out that "Financial Literacy", which includes knowledge, skills, and confidence in making financial decisions, is crucial but generally low worldwide. This inadequate level of financial knowledge can lead to poor choices and outcomes, particularly for vulnerable populations. To address this issue, tailored programs and initiatives are suggested for better financial education in schools, workplaces, and communities. The Director of Italian Financial Education Committee is mentioned as actively working on a nationwide strategic plan for "Financial Literacy". Overall, "Financial Literacy" is seen as necessary for individuals to handle the rigid financial landscape and should be treated as a fundamental right and universal need.

Joshi & Patel (2020) focuses on the financial knowledge of youth in rural areas in India and the need to prioritize their development as a key part of the country's growth. The study collected data from 29 villages using convenient sampling. The findings reveal that rural youth have limited awareness and usage off financial products beyond bank savings account. Gold and jewelry are preferred investment options. The awareness of other financial products, such as bonds, shares, mutual funds, is extremely low, as well as awareness about post office schemes. The research identifies gender and income as the main demographic factor affecting usage and awareness levels. Education plays a crucial role in increasing awareness of technical products like bonds, shares, and mutual funds.

Azeez & Akhtar (2021) aimed to assess in “Financial Literacy” among households in Aligarh district based on their degree of education. A “Financial Literacy” index was developed, consisting of indicators such as knowledge, behavior, and attitude towards finance. Primary data was collected from 500 samples in rural areas of Aligarh district. The results revealed a beneficial correlation among the level of education and “Financial Literacy”. People with superior education level demonstrated higher levels of “Financial Literacy”. The findings underscored the significance of continuous and sustained intervention from policymakers and other stakeholders to increase and maintain “Financial Literacy” in rural population.

Gautam et al. (2022) examined the relation between Financial Literacy and inclusion, and rural evolution in India. Author uses secondary information from 2 union territories and 29 states for year 2018 to 2020. The study developed two models to analyze the relation between financial inclusion, “Financial Literacy”, and rural development. Study proposed that “Financial Literacy” plays a crucial role in promoting financial inclusion and rural development particularly in agriculture sector. The research suggest that banks and the government should prioritize expanding “Financial Literacy” as it is crucial for socio-economic development, promoting economic growth alleviating poverty, and improving banking services through infrastructure investment.

Tiwari & Yadav (2022) investigated the degree of “Financial Literacy” amidst millennial and Gen Z. Using structured questionnaire, the data were collected by 109 respondents. The study found that understanding about the financial products and market among millennial and generation Z is poor, with only 11% having excellent knowledge and 40% having moderate knowledge. In terms of investment, saving deposits, insurance, and FDs, are more popular choices, while overall 40% of participants invest in mutual funds and stocks. For creating “Financial Literacy” in millennial and Gen Z, the study highlights the televisions and internet as the most appropriate resources. The research emphasizes the significance of financial education and the role it plays in improving behavior and making the decision.

Objectives of the study

1. To comprehensively recognize the concept of "Financial Literacy," its significance, and the challenges associated with inadequate financial knowledge.
2. To explore the different factors that affect individuals' financial literacy levels, including income, gender, education, and socioeconomic status.
3. To analyze specific demographic groups, such as urban, rural, youth, working women, and generation Y employees, in order to better understand their financial literacy levels and behaviors.
4. To highlight the implications of poor financial literacy, including making bad investment decisions, accumulating debt, and becoming vulnerable to fraud.
5. To suggest potential interventions, such as developing tailored educational initiatives and programs, focused on enhancing financial literacy among different demographic groups.

Research Methodology

The research primarily relies on existing information that has already been collected by other researchers, news sources, and online materials. The study involves a thorough examination of past research papers, articles from news sources, and data available on the internet.

Key findings from secondary data analysis:

1. Financial literacy, the understanding of financial knowledge and their applications, is crucial due to its role in promoting informed decision-making, preventing debt accumulation, and protecting individuals from fraudulent schemes.

2. Income, gender, education, and socioeconomic status collectively shape individuals' financial literacy levels, influencing their capacity to effectively manage money and make sound financial decisions.

3. Examining urban and rural populations, youth, working women, and Generation Y employees reveals varying degrees of financial literacy, impacting their financial behaviors and outcomes.

4. Inadequate financial literacy contributes to detrimental outcomes like poor investment choices, debt proliferation, and susceptibility to financial scams, underscoring the require for improving financial education.

5. To address disparities in financial literacy, tailored educational initiatives emerge as potential interventions, designed to empower diverse demographic groups with the understanding of financial knowledge and skills to navigate their financial well-being.

Conclusion

The study examines various research studies in India and across the world that emphasizes the important of Financial Literacy and the factors that affects individuals’ knowledge, behavior, and attitude towards their own finances. Considering the diverse socio-economic contexts and demographic groups studied. The scope of the research in this field is extensive. The research highlights requirement of financial awareness and the outcome of inadequate financial knowledge. Inadequate Financial Literacy leads to poor financial decisions, vulnerable to fraud, high debt burdens, and restricted access to formal financial systems, according to the findings. Even though addressing the inferior level of Financial Literacy, the study highlights opportunities for growth.

By identifying the gaps in knowledge, behavior, and attitude towards financial matters among various demographic groups, policymakers, educators, and financial institutions may develop initiatives and programs in order to make better financial education and to promote responsible financial decision-making. The study suggests that customized programs should be implemented in schools, workplaces, and communities that will improve financial knowledge, skills, and self-assurance. It is essential to investigate the role of technology and innovative strategies in enhancing Financial Literacy. Future research in financial education should concentrate on evaluating programme outcomes, analyzing teaching methods, and determining long-term effects.

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