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Research Article

"Assessing Financial Literacy: Awareness, Impact, And Strategies For Improvement"

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ABSTRACT

This research examines the relationship between financial literacy, monetary attitudes, time preferences, and financial behaviors among university students in India. This study utilizes a quantitative research methodology with a sample of 300 individuals and using Structural Equation Modeling (SEM) to analyze the links among cognitive knowledge, behavioral tendencies, and ethical orientations in financial decision-making. The results indicate that financial literacy is a major predictor of responsible financial conduct, whereas budgeting ethics serve as a robust behavioral determinant. Time preference adversely affects financial attitudes, highlighting the psychological aspect of temporal orientation in financial planning. Socio-economic variables, including income and parental education, influence financial understanding, although gender is statistically negligible in this regard. The findings highlight the complex nature of financial literacy, promoting a holistic strategy that combines cognitive comprehension, behavioral training, and ethical principles in financial education methods. This study enhances theoretical frameworks of financial behavior, provides practical insights for educational design and policy formulation, and highlights avenues for further empirical research in developing market settings.

Keywords: Financial literacy, Financial Behaviour, Financial Knowledge

INTRODUCTION:

In today's global economy, understanding financial concepts has emerged as an essential skill that greatly influences individuals' financial health and their capacity to make informed decisions. Financial literacy includes crucial skills like budgeting, saving, investing, and comprehending credit, all of which empower individuals to effectively manage their financial resources. The swift advancement of financial products and the growing availability of intricate financial services have made the capacity to make well-informed financial decisions more crucial than ever. Recent studies highlight that financial literacy serves as a crucial foundation for attaining long-term financial security and plays a significant role in steering clear of prevalent financial challenges such as unsustainable debt and misguided investment decisions (Kumar, 2025). Individuals with a strong understanding of financial concepts are more inclined to prepare for retirement, handle emergencies effectively, and make wise financial decisions that promote stability and growth.

The global financial landscape has experienced significant transformations, heightening the necessity for financial literacy. The increase in digital transactions, mobile banking, and credit-based spending has facilitated the accumulation of debt for individuals, often without a sufficient grasp of the financial implications (Meena, 2024). Furthermore, differences in financial literacy continue to be significant across various demographics, including gender, age, income levels, and geographic regions. It has been observed that women, younger individuals, and rural populations exhibit lower levels of financial literacy, leading to notable demographic disparities that necessitate immediate policy action (Ben Belgacem et al., 2024; Zaimovic et al., 2023). The shift towards individual savings and investment decisions for retirement security, as opposed to reliance on employer-sponsored pensions, has placed a greater financial burden on consumers. This underscores the critical need for thorough financial education.

This study aims to tackle these significant gaps by integrating practical case studies with an extensive examination of global financial literacy trends. This work analyses the interconnected dimensions of financial knowledge, behaviour, and attitudes, utilising insights from CNBC interviews with financial experts and

incorporating evidence from global studies. Particular focus is directed towards the fundamental financial elements—income, expenses, assets, and liabilities—and their influence on financial security. The integration of practical experiences and academic research offers a comprehensive view on the methods for enhancing financial literacy. This paper seeks to provide actionable insights into the global discourse on improving financial capabilities for various populations by examining recent developments in financial education, behavioural interventions, and the application of financial technology (Goyal & Kumar, 2021; Klapper & Lusardi, 2020).

LITERATURE REVIEW

Financial literacy has received heightened focus as a crucial factor influencing prudent personal financial behaviour, especially among adolescents and students. Murphy (2005) did exploratory research on Black college students and determined that, although age and academic major were not important factors, institutional chances to improve financial education were essential for equipping students for financial independence in adulthood. Jorgensen and Savla (2010) investigated the effects of parental socialisation and discovered that perceived parental influence relatively significantly affected financial attitudes, but had no impact on knowledge acquisition. Nevertheless, these views substantially impacted financial behaviours, demonstrating the indirect influence of parental responsibilities.

Differences based on gender have been a primary area of investigation in the study of financial literacy. Chen and Volpe (2002) discovered that female students consistently achieved lower scores than their male counterparts on financial knowledge assessments, even when accounting for factors such as major and work experience. Nonetheless, the investigation highlighted that focused education and hands-on learning can address these disparities. The findings were corroborated by Potrich et al. (2015), who employed structural equation modelling and discovered that financial behaviour, attitude, and knowledge are interconnected, with males generally demonstrating higher levels of financial literacy.

In the Indian context, Choudhary and Kamboj (2017) evaluated financial literacy through OECD benchmarks and discovered that merely one-third of respondents exhibited high financial literacy. Although financial knowledge and behaviour were largely favourable, a considerable portion of individuals, especially those with unstable or low income, exhibited a lack of a positive financial attitude. Bhushan and Medury (2014) endorsed this perspective, concluding that effective financial literacy necessitates more than mere knowledge—it significantly relies on cultivating suitable financial behaviours and attitudes.

A variety of studies emphasise the significance of financial socialisation agents such as parents, education, and work experience. Shim et al. (2010) demonstrated that early financial socialisation, mainly through parental guidance, plays a crucial role in shaping future financial behaviour, surpassing the impact of formal financial education. Bowen (2002) found a connection between the financial knowledge of parents and that of their teenage children, emphasising the transfer of financial behaviours across generations.

Atkinson and Messy (2012) conducted an OECD pilot study across 14 countries, revealing widespread deficiencies in financial knowledge and notable variability influenced by demographic factors. In a similar vein, Beal and Delpachitra (2003) conducted a study on Australian university students, revealing deficiencies in decision-making and insurance knowledge, which they linked to insufficient financial education in high schools. Murendo and Mutsonziwa (2017) reported similar deficiencies in Zimbabwe, identifying rural residents and women as the most financially disadvantaged, which led them to advocate for targeted financial interventions.

Finally, investigations into the psychological and social aspects of financial behavior—like those conducted by Tang and Gilbert (1995), and Yamauchi and Templer (1982)—underscore that perceptions of money (for instance, linking it to power, anxiety, or success) play a crucial role in influencing financial choices and overall well-being. The findings indicate that financial education should be customised to consider the foundational beliefs about money and the social environments in which individuals operate.

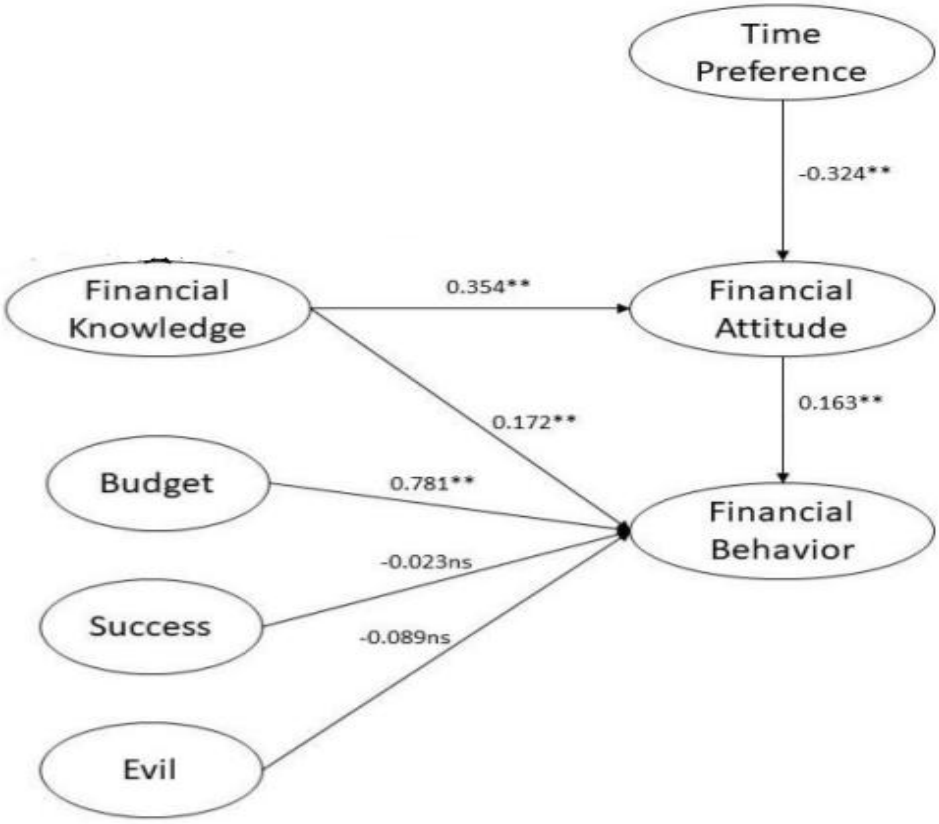
RESEARCH METHODOLOGY

This study explores the relationship between financial literacy, attitudes towards money, and time preferences in the context of Indian university students. Understanding the foundational aspects of financial behaviour in college years, this study seeks to assess the interplay of these elements in influencing students' financial choices and overall well-being within the context of an emerging economy characterised by changing financial systems and economic instability. The study employs a quantitative research design, using structured questionnaires to assess students' financial knowledge, attitudes, and behaviours.

Data collection involved 300 university students, utilising convenience sampling across various campuses in India. The study involved final-year students as well as postgraduate learners as participants. The questionnaire was distributed through email and WhatsApp, along with a detailed explanation of the study's objectives. A pilot study involving 50 respondents was carried out before full deployment to enhance the instrument. The response rate stood at around 60%, and following the elimination of incomplete or in contradiction responses, 300 valid questionnaires were preserved for analysis.

The survey tool comprised established items designed to assess financial knowledge, attitudes, and behaviours, alongside socio-demographic and psychological factors. The items were sourced from recognised literature in financial literacy and behavioural finance and evaluated using Likert-type scales. The analysis of the data was conducted utilising EXCEL, SPSS, and AMOS. Structural Equation Modelling (SEM) was utilised to examine the proposed relationships among the variables and to confirm the measurement and structural models. This approach facilitated the concurrent analysis of various dependent and independent relationships, rendering it suitable for the intricate interconnections explored in this investigation.

Conceptual Model:



Data analysis:

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	173	57.7
	Female	127	42.3
Education Level (Self)	Graduation	203	67.7
	Post-Graduation	97	32.3
Father's Education	SSC	23	7.7
	HSC	116	38.7
	Graduation	92	30.7
	Post-Graduation	69	23
	Ph.D.	0	0
Father's Annual Income	< ₹3,00,000	69	23
	₹3,00,001 – ₹6,00,000	116	38.7
	₹6,00,001 – ₹9,00,000	92	30.7
	₹9,00,001 – ₹12,00,000	69	23
TOTAL		300	100

The demographic distribution of the sample (N = 300) highlights important socio-economic and educational traits of the respondents. The sample consisted of 57.7% males (n = 173) and 42.3% females (n = 127), reflecting a moderately male-dominated group while still showcasing significant female representation, which indicates a level of gender inclusivity suitable for comparative analysis.

Regarding the educational levels of the participants, 67.7% (n = 203) were engaged in undergraduate programs, whereas 32.3% (n = 97) were working towards postgraduate degrees. This highlights the focus of the study on senior university students, who are generally in the process of enhancing or establishing their financial literacy skills.

The educational background of the participants' fathers indicates that 38.7% (n = 116) had attained Higher Secondary education (HSC), while 30.7% (n = 92) had achieved graduation, and 23.0% (n = 69) possessed a post-graduate qualification. A limited number of fathers reached the SSC education level (7.7%), and there were no instances of individuals achieving a Ph.D. This variation indicates a parent demographic with a considerable level of education, potentially impacting students' financial socialization and perspectives. In terms of household income, 38.7% of participants indicated that their parental annual income falls within the range of ₹3,00,001 to ₹6,00,000. This was followed by 30.7% who reported incomes between ₹6,00,001 and ₹9,00,000, and 23.0% in both the less than ₹3,00,000 and ₹9,00,001 to ₹12,00,000 categories. The income distribution reveals that most participants originate from middle-income households, reflecting the wider socio-economic characteristics of the urban student demographic in India.

Construct	Constructs Item	λ (Lambda)	Cronbach's Alpha	Composite Reliability	AVE
Financial Attitude	FA1	0.615	0.65	0.68	0.492
	FA2	0.655			
	FA3	0.62			
Financial Behavior	FB1	0.61	0.653	0.663	0.424
	FB2	0.635			
Money Ethics – Success	MES1	0.72			
	MES2	0.78			
	MES3	0.701			
	MES4	0.57			
Money Ethics – Evil	—	1.508	0.736	0.738	0.604
Money Ethics – Budget	—	1.513	0.76	0.79	0.504

The measurement model demonstrates acceptable internal consistency and convergent validity across all constructs used in the study, as evidenced by λ (lambda) values, Cronbach's alpha, Composite Reliability (CR), and Average Variance Extracted (AVE).

The Financial Attitude construct showed moderate loading for all three items (FA1–FA3), with λ values between 0.615 and 0.655. The Cronbach's alpha value of 0.65 and CR of 0.68 suggest an acceptable level of internal consistency (Hair et al., 2006). While the AVE value of 0.492 falls just short of the 0.50 threshold, it remains marginally acceptable as long as the CR exceeds 0.60 (Fornell & Larcker, 1981).
The Financial Behavior construct demonstrates reliability, evidenced by λ values of 0.610 and 0.635. The findings indicate a Cronbach's alpha of 0.653 and a composite reliability (CR) of 0.663, which suggest an acceptable level of internal consistency. The AVE of 0.424 is below the optimal threshold, suggesting a relatively lower level of convergent validity, yet it remains acceptable according to the Fornell and Larcker criterion. The evaluation of Money Ethics involves four specific items (MES1–MES4), with λ values that span from 0.570 to 0.780. Although the loadings for individual items are moderate, the table does not include any combined reliability indicators, which may have been calculated within the structural model.
The constructs of Money Ethics – Evil and Money Ethics – Budget dimensions exhibit strong reliability and convergent validity. Each is represented by a single-item indicator with high λ values (1.508 and 1.513 respectively), Cronbach's alpha greater than 0.73, CR values exceeding 0.73, and AVE values of 0.604 and 0.504 respectively—both surpassing the 0.50 threshold, thereby confirming good construct validity.

Pathway	β Coefficient	p-value	Interpretation
Income → Financial Knowledge	0.187	***	Significant
Education → Financial Knowledge	0.164	***	Significant
Gender → Financial Knowledge	-0.034	0.475	Not Significant
Financial Knowledge → Financial Attitude	0.324	0.046	Marginally Significant
Financial Knowledge → Financial Behavior	0.172	***	Supported
Financial Attitude → Financial Behavior	0.163	**	Supported
Time Preference → Financial Attitude	-0.678	***	Supported
Budget (Money Ethics) → Financial Behavior	0.781	***	Strongly Supported
Evil (Money Ethics) → Financial Behavior	-0.089	0.051	Marginal
Success (Money Ethics) → Financial Behavior	-0.023	0.542	Not Significant

The structural equation model elucidates essential pathways connecting financial literacy, socio-demographic factors, money ethics, and financial behavior in the student population. The findings indicate that financial knowledge is notably shaped by both income and education, highlighting the importance of socio-economic status in the process of acquiring literacy, whereas gender did not demonstrate a significant effect. The influence of financial knowledge on attitudes was limited, yet it significantly affected behavior, reinforcing the idea that those who are well-informed tend to engage in responsible financial practices. The influence of attitudes on behavior is significant, highlighting the critical role of perspectives in financial planning. Individuals with a present bias exhibited less robust financial attitudes, highlighting the negative impact of a short-term focus. In the realm of financial ethics, budgeting demonstrated a notably strong positive effect on behavior, whereas the perception of money as evil exhibited a slightly negative impact, and the view of money as a marker of success showed no significant influence. The findings collectively highlight that, in addition to knowledge, behavioral orientation and value-based perspectives—especially budgeting discipline and a focus on the future—are essential factors influencing sound financial behavior.

Discussion:

This study offers essential insights into the factors influencing financial literacy among university students in India, emphasizing the interrelated roles of knowledge, attitudes, time preferences, and money ethics in shaping financial behavior. The results are consistent with and build upon existing literature, showing that having financial knowledge by itself is not enough; it needs to be paired with supportive attitudes and disciplined financial practices to encourage positive financial behaviours.

The findings indicate that financial knowledge has a significant impact on financial behavior ($\beta = 0.172$, $p < 0.01$), reinforcing the notion that individuals who are well-informed tend to participate more actively in budgeting, saving, and making timely payments. This supports the findings of earlier research (Chen & Volpe, 2002; Shim et al., 2009) that indicated knowledge enables individuals to manage their finances wisely. Nonetheless, the somewhat limited impact of financial knowledge on attitudes ($\beta = 0.324$, $p = 0.046$) suggests that mere awareness might not adequately influence long-term financial perspectives, which are likely more fundamentally connected to socialization and values.

A notable discovery is the significant impact of budgeting behavior (Money Ethics - Budget) on financial behavior ($\beta = 0.781$, $p < 0.01$), thereby validating H5c. Students who prioritized budgeting as a financial principle exhibited more reliable and accountable money management behaviours. This highlights the essential requirement for financial education initiatives to extend beyond theoretical knowledge and foster practical, habit-forming financial skills. On the other hand, the success aspect of money ethics demonstrated no notable impact on behavior ($\beta = -0.023$), indicating that perceiving money as a symbol of success may not lead to financially responsible actions—a discrepancy that reflects psychological insights regarding intrinsic versus extrinsic motivators in financial management.

Furthermore, the analysis revealed a negative correlation between time preference and financial attitude ($\beta = -0.678$, $p < 0.01$), suggesting that students exhibiting a strong present-bias are likely to undervalue future financial planning. This aligns with existing literature in behavioral economics that indicates impatience or impulsivity can negatively impact long-term financial well-being (Lusardi & Mitchell, 2014). Financial education should not only provide information but also transform the fundamental perspectives on time.

Socioeconomic factors were also influential. Income and education had a positive effect on financial knowledge, whereas gender did not show a significant influence—this contrasts with some global findings but aligns with the study's context in India, likely due to increasing financial awareness among all genders in urban educational environments.

In conclusion, the dialogue emphasizes a complex perspective on financial literacy. Although knowledge plays a crucial role, it is the attitudes, ethical considerations regarding money, and behavioral tendencies that ultimately shape financial results. Financial education programs ought to be crafted in a comprehensive manner, integrating principles from behavioral science to foster both comprehension and the drive for sustained discipline over time.

CONCLUSION:

This study examined the relationships among financial literacy, monetary attitudes, temporal preferences, and financial behaviours among Indian university students. The findings demonstrate that financial knowledge is a significant predictor of responsible financial actions and, to a lesser extent, influences attitudes, consistent with the research of Chen and Volpe (2002) and Lusardi and Mitchell (2014). Budgeting has emerged as a pivotal financial ethic, serving as the primary behavioral determinant, while time preference adversely influences financial attitudes, corroborating behavioral finance findings related to present bias (Frederick, Loewenstein, & O'Donoghue, 2002). The research indicated that socio-economic characteristics, such as income and education, significantly influence financial knowledge, aligning with previous studies (OECD, 2020). Nonetheless, gender did not seem to be a significant variable in this sample, potentially indicating cultural changes in access to financial education. These findings emphasize the intricate, multifaceted nature

of financial literacy and show the need of integrating cognitive, behavioral, and ethical elements to enhance financial outcomes.

Theoretical contribution:

This study advances the theoretical comprehension of financial literacy by amalgamating cognitive, behavioral, and ethical elements into a cohesive empirical framework, reflecting expansions of the Theory of Planned Behavior (Ajzen, 1991; Shim et al., 2010). This study validates the mediating role of financial attitudes in the link between knowledge and conduct, enhancing previous behavioral models and presenting money ethics as a complex, multifaceted entity. The distinct separation between "budget," "success," and "evil" ethics offers novel theoretical perspectives on how moral and practical values influence financial conduct, a topic that is often underrepresented in traditional financial literacy research. The significant influence of time preference on attitudes validates its status as a crucial psychological variable, corroborating findings from behavioral economics (Laibson, 1997). Positioning the study inside the Indian context enhances theoretical generalizability, enriching developing market perspectives on financial behavior that have historically been neglected in global research (Atkinson & Messy, 2012).

Practical Contribution:

The research has several practical consequences for educators, politicians, and financial organizations. The significant correlation between budgeting ethics and responsible financial conduct indicates the necessity of integrating practical financial instruments—such as budgeting exercises and goal-oriented savings simulations—into university courses (Lusardi, 2019). Financial education programs should be targeted to benefit children from low-income and low-literacy backgrounds, acknowledging the mediating role of family income and parental education in creating financial awareness (OECD, 2020). The detrimental effect of present bias on financial attitudes underscores the need for behavioral treatments, such as commitment contracts or automated savings systems, to foster long-term thinking (Thaler & Benartzi, 2004). Implementing these techniques may enhance individual results and foster more financial stability and social well-being.

Future Scope:

This study offers a thorough model of financial literacy and behavior among Indian students, paving the way for several future research opportunities. Longitudinal studies may monitor the evolution of financial knowledge and behavior during various life phases, job advancement, or income growth (Xiao et al., 2011). Broadening the demographic emphasis to encompass rural communities, early teenagers, or working professionals might enhance generalizability across socio-economic strata. Moreover, experimental research assessing the efficacy of financial education interventions—such as mobile budgeting applications, gamified learning platforms, or behavioral nudges—may provide valuable insights for program design (Fernandes, Lynch, & Netemeyer, 2014). Comparative international research may elucidate the influence of cultural, institutional, and policy frameworks on financial behavior, hence contextualizing the Indian findings within the global debate. This endeavour would enhance worldwide comprehension of financial literacy and guide the creation of more effective, culturally relevant educational solutions.

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