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Role of Financial Literacy in Fund Management Among Indian Secondary and Higher Secondary School Students: A Primary Study

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Abstract

This study examines the role of financial literacy in fund management among Indian secondary school students through a primary research approach. The research evaluates the current level of financial literacy, investigates its influence on students' budgeting and fund management abilities, and identifies key factors affecting financial decision-making. Survey data reveal that financial literacy among Indian secondary students is moderate, with notable differences based on gender, academic stream, and socioeconomic status. Female students and those in commerce streams exhibit higher financial literacy, while frequent family discussions about finances are linked to improved knowledge. Despite the presence of financial education programs, traditional classroom instruction shows limited effectiveness in fostering lasting behavioural change. Experiential learning and parental involvement emerge as significant contributors to financial competence. The findings highlight the need for more interactive, practical financial education in school curricula and policy measures that integrate experiential activities and teacher training. Improving financial literacy at the secondary level is essential for equipping students to make informed financial decisions, achieve personal financial stability, and contribute to broader economic well-being.

Keywords: financial literacy, fund management, Indian students, secondary education, budgeting, financial decision-making, experiential learning, financial education, socio-economic factors, gender differences

1. Introduction

Background of the Study:

What Is Financial Literacy?

Financial literacy is the ability to understand and manage your money wisely. It means knowing how to budget, save, invest, and make smart financial decisions in everyday life. Being financially literate helps you stay in control of your money, avoid debt, and build a secure future.

Main Parts of Financial Literacy:

- **Budgeting:** This involves planning how to spend your money, keeping track of where it goes, and making smart choices that match your income and financial goals.
- **Saving and Investing:** Financial literacy teaches you the value of saving money for emergencies or future needs. It also helps you understand how to grow your money through investments like stocks, mutual funds, bonds, and real estate.
- **Managing Debt:** Being financially literate means knowing how loans, interest rates, and repayments work. It helps you borrow wisely and avoid getting trapped in too much debt.
- **Financial Planning:** This includes setting long-term goals, such as buying a home, planning for retirement, or paying for education, and creating a step-by-step plan to reach them.

Why Financial Literacy Helps You Manage Money Better:

- **Smarter Decisions:** When you understand how money works, you're more likely to make good choices and avoid financial mistakes.
- **Risk Management:** Financial literacy helps you understand the risks involved with certain investments or purchases, so you can make safer decisions.
- **Goal Setting:** It helps you plan for big life goals by managing your money in a way that supports them.
- **Understanding Financial Tools:** You learn how to use credit cards, loans, insurance, and banking services wisely, which protects your money and avoids unnecessary costs.
- **Wealth Building:** When you make informed decisions and manage money well, you're more likely to build savings and wealth over time.

Why Financial Literacy Is So Important:

- **Financial Stability:** It helps people avoid serious money problems and leads to a more secure life.
- **Lower Stress:** Knowing how to handle money reduces worry and brings peace of mind. **Wiser Spending:** Being informed leads to better money habits and stronger financial outcomes.
- **Adapting to a Changing World:** As financial systems become more complex, financial literacy gives people the tools they need to make smart choices and stay on top of their finances.

Understanding money management can help achieve important life goals like saving for school or retirement, handling debt wisely, and managing a business. Learning about finances teaches students how to budget, save, and invest, helping them become financially independent. It also allows them to make smart money choices and avoid unnecessary debt. (The importance of financial literacy for students)

When individuals possess financial literacy skills, they are better equipped to manage their money effectively. They can create budgets, save, invest wisely, and avoid excessive debt. This leads to greater personal financial stability and reduces the likelihood of financial problems. (IMPACT OF FINANCIAL LITERACY ON SOCIETY - English (NCFE))

2. **Problem Statement**:

Financial literacy plays a significant role in enhancing personal well-being by empowering individuals to make informed financial choices. (Financial Literacy Explained: Importance of Financial Literacy in Today's Economy.) There is a lack of education relating to financial knowledge among Indian school students, who do not understand the importance and meaning of many financial tools. There is a huge concern about a significant number of students not being aware of how to use their finances effectively, which can cause them a lot of problems in the future, like taking on too much debt. Not enough research and actions have been taken to alleviate this concern and safeguard the students against future possibilities of financial crisis.

Research Objectives:

1. To assess the level of financial literacy among Indian secondary school students.
2. To explore the impact of financial literacy on fund management and budgeting.
3. To identify the factors affecting financial literacy and its relation to financial decision-making.

Research Questions:

- What is the distribution of financial management education across different class levels?
- What is the relation between students' confidence in handling money-related tasks and their exposure to money management education in school?
- How does the use of the internet for financial information vary by class level?
- What are the key sources of financial knowledge for school students?
- Do school students feel that they have the capability to be financially independent?

3. **Literature Review**

Research on the impact of high school financial education courses suggests that they may not significantly improve financial literacy or financial behavior in the years immediately following graduation. A study conducted with 79 respondents from a single school system found no meaningful difference in financial knowledge, savings habits, or responsible financial behavior between those who completed a personal finance course and those who did not. Even after several years, those who took the course were no more financially literate, did not consider themselves more savings-oriented, and did not exhibit better financial management skills than their peers. However, the study did find that positive financial behavior was more common among full-time college students or graduates, likely due to additional financial education received during higher education. These findings align with prior studies, suggesting that financial education in high school, as it is currently administered, may not be as effective as intended.

The study's limitations must be considered before drawing broader conclusions. With only 79 respondents from a single geographic area, the sample size was small, and results may not be widely applicable. Additionally, the study only tracked graduates for five years (ages 18-23), a period of relatively low earnings and financial instability. Financial education may have a greater impact later in life when individuals take on long-term financial responsibilities, such as managing debt, saving for retirement, or purchasing a home. This aligns with previous research indicating that financial knowledge gained in high school may become more relevant as individuals mature. Another key limitation is that high school financial courses may lack engaging and practical teaching methods. Studies suggest that interactive activities, such as stock market simulations, tend to produce higher financial literacy levels than traditional classroom instruction. Motivation also plays a role—students who understand the relevance of financial management to their future tend to retain and apply their knowledge more effectively.

Furthermore, the timing of financial education could influence its effectiveness. High school seniors, who are on the verge of adulthood and may already be handling financial responsibilities, may benefit more from personal finance courses than younger students who have limited real-world financial experience. However, this aspect has not been thoroughly explored in existing research. Given these findings, there is a need for larger-scale studies conducted over longer periods to better assess the long-term benefits of financial education. Until more evidence proves that these courses positively influence financial decision-making later in life, educators should reconsider how financial literacy is taught. Future research should focus on developing more interactive, relevant, and engaging teaching methods to ensure that financial education leads to meaningful behavioral changes.

Mandell, Lewis, and Schmid Klein, Linda. The Impact of Financial Literacy Education on Subsequent Financial Behavior (2009). Journal of Financial Counseling and Planning, Vol. 20, No. 1, 2009, available at SSRN: The Impact of Financial Literacy Education on Subsequent Financial Behavior

Financial literacy among high school students in India is notably low, with an overall literacy rate of 44%, lagging behind both developed and some developing nations. Compared to students in the U.S. (47.5%) and Germany (64% for basic financial literacy and 54% for sophisticated financial literacy), Indian students scored moderately in areas such as compound interest, investing, borrowing, and insurance but struggled with more complex topics like mutual funds and asset return fluctuations. While students performed well in numeracy, they failed to apply mathematical skills to financial computations, mirroring trends observed in the U.S., Germany, New Zealand, and Japan. Gender disparities revealed an unusual trend—Indian female students outperformed their male counterparts, possibly due to their involvement in household financial management, though they often deferred investment decisions to male family members. Commerce students demonstrated higher financial literacy than science students, reinforcing the impact of formal financial education, suggesting that integrating financial concepts into science curricula could be beneficial. Students from lower-income backgrounds displayed better financial literacy than wealthier peers, likely due to early exposure to budgeting and financial constraints within their families. Furthermore, students who frequently discussed financial matters with their parents scored significantly higher, reinforcing the role of familial involvement in financial education. Despite increasing global focus on financial education, its long-term impact on financial behavior remains inconclusive, with some studies suggesting that financial courses do not necessarily lead to better financial decisions in adulthood. The lack of immediate applicability of advanced financial concepts may contribute to this, as young adults often engage less with financial markets. However, research suggests that experiential learning methods, such as stock market simulations and interactive activities, can enhance financial literacy by making concepts more engaging and practical. Financial literacy should be viewed as a multidimensional concept, integrating consumer education, financial institutions, government policies, and socio-economic factors. Additionally, embedding cultural, ethical, and environmental considerations into financial education can foster a broader understanding of personal finance's societal impact. The study highlights the need for policy measures that incorporate experiential learning, parental involvement, and teacher training to enhance financial literacy education. Programs like Money Wizards and Pocket Money have made strides in this area, but broader integration into school curricula is necessary. Further research should explore causal links between financial education and decision-making, effective teaching methodologies, and the role of technology in financial literacy programs. Enhancing financial education in India is critical for improving financial decision-making, preventing poor financial choices, and fostering economic stability, not just in India but in other developing nations facing similar challenges.

Jayaraman, J. D., & Jambunathan, S. (2018). Financial literacy among high school students: Evidence from India. Citizenship, Social and Economic Education, 17(3), 168-187. (Original work published in 2018)

Financial literacy is not something a person learns just once; rather, it is a lifelong process of learning and improving financial knowledge. The goal is not to make people financial experts but to help them understand financial matters, find the right information when needed, and make sense of it. In India, research by Ajay Tankha (2011), a development consultant at Sa-Dhan, shows that many Indian households are financially vulnerable. About 96% of people feel they would not be able to survive for more than a year if they lost their income. More than half of the population saves money in banks, but over one-third keep their savings at home, and only 5% invest in post office schemes. People with higher incomes save up to 44% of what they earn, while the poorest 20% borrow up to 33% just to manage their daily expenses. In rural areas, 40% of households depend on local moneylenders to cover important costs, showing that while many people try to save, their income is often not enough to meet their needs. This situation highlights the importance of financial education in helping people manage their money better. Self-help groups play a key role in spreading financial awareness, especially among poorer sections of society. Making financial knowledge accessible to all can help reduce poverty and bring more people into the formal financial system, ensuring a more stable and secure future for everyone.

Arya, P. "Financial literacy and financial education in India: An assessment." International Research Journal of Commerce Arts and Science 9.3 (2018): 72-80.

Achieving financial stability and independence requires a combination of smart money management strategies, including disciplined spending, saving, investing, and debt management. Financial discipline begins with prioritizing needs over wants, creating a well-structured budget, and avoiding unnecessary debt. Wise spending ensures that essential expenses are covered before discretionary spending, while budgeting strategies, such as the 50/30/20 rule, help individuals allocate their income effectively. Building financial resilience is another crucial aspect, which involves regular saving, maintaining an emergency fund, and starting investments early to take advantage of compound growth. An emergency fund, ideally covering three to six months of living expenses, provides a financial cushion during unexpected situations such as job loss, medical emergencies, or urgent home repairs.

Effective debt management is also essential for financial stability. Borrowing should be done with caution, focusing only on essential needs such as education or homeownership. Understanding loan terms, interest rates, and repayment schedules helps individuals avoid excessive debt accumulation. Prioritizing the repayment of high-interest debts, such as credit card balances and payday loans, reduces financial strain and improves overall financial health. In addition, making strategic investments in stocks, bonds, real estate, or mutual funds allows individuals to grow their wealth over time while balancing risk and potential returns. Diversifying investments across different asset classes minimizes risks and ensures long-term financial security.

Apart from saving and investing, tax planning and credit score management play key roles in achieving financial stability. Efficient tax planning helps individuals minimize their tax liabilities by taking advantage of deductions, credits, and tax-advantaged accounts. A strong credit score, maintained through timely debt payments and responsible credit use, allows individuals to access better loan terms and lower interest rates, further improving their financial well-being. Additionally, emergency planning, including adequate insurance coverage and a solid financial strategy, ensures that unexpected life events do not derail long-term financial goals.

By adopting a balanced approach that includes disciplined spending, structured saving, smart investing, and proactive financial planning, individuals can work toward financial independence. The key to long-term success is to start early, stay disciplined, and continuously adapt financial strategies to changing circumstances. A well-planned financial approach not only reduces stress but also provides long-term security, allowing individuals to achieve their financial goals, whether it is homeownership, retirement, or wealth creation. Ultimately, financial stability is not about earning more but about managing money wisely and making informed decisions that support a secure and prosperous future.

YOGANANDHAM, G. "MASTERING ECONOMIC AND FINANCIAL SOURCES CONCERNING BUDGETING, SAVINGS, EARLY INVESTING, DEBT MANAGEMENT, AND THE POWER OF FINANCIAL PLANNING-A COMPREHENSIVE ANALYSIS."

Financial literacy has a significant impact on financial behavior, especially in shaping wealth, equity, and decision-making. Women with strong financial knowledge tend to make better financial choices, save more for retirement, manage investments wisely, and handle household finances effectively. However, those with lower financial literacy often struggle with debt, save less, and are more vulnerable to fraud. Studies suggest that women generally have lower financial literacy than men, but this gap cannot be fully explained by demographics alone. Confidence also plays a crucial role, as women tend to score lower on financial knowledge tests when an "I don't know" option is available, but they perform equally well when it is removed. Overconfidence, however, can lead to risky financial behavior, such as taking high-interest loans. Financial literacy is not just about knowledge but also about having the confidence to make sound financial decisions. Educational institutions and policymakers need to create effective financial education programs that balance knowledge and confidence, helping individuals make better financial choices. Financial literacy also includes understanding inflation, which influences saving and investment decisions, as well as interest rates, which affect borrowing habits. Entrepreneurs especially benefit from financial literacy, as it helps them manage both personal and business finances, choose better loan options, and improve their access to financial institutions. In Indonesia, access to financial services is low, partly due to a lack of financial management knowledge, making it difficult for small businesses to maintain proper financial records. Moreover, financial behavior is not solely based on knowledge but also confidence, as people learn financial management through experience, often making mistakes along the way. Studies suggest that the best way to improve financial behavior is to introduce financial education at an early age, as learning good financial habits from childhood leads to better financial decisions in adulthood. Unfortunately, personal finance education is still uncommon in Indonesia, both in schools and universities. Making financial literacy a required subject at universities could better prepare young people for the increasingly complex financial world, ensuring they have the skills needed to make informed and responsible financial choices throughout their lives.

ANDARSARI, Pipit Rosita; NINGTYAS, Mega Noerman. The Role of Financial Literacy on Financial Behavior. **JABE (JOURNAL OF ACCOUNTING AND BUSINESS EDUCATION) [S.l.],** p. 24-33, Sep. 2019. ISSN 2528-729X.

Financial literacy is a crucial skill that directly affects an individual's financial well-being and long-term economic stability. It functions as a form of human capital, similar to education and job skills, because it influences a person's ability to make sound financial decisions. People with strong financial literacy tend to plan effectively for the future, save more money, invest wisely, and avoid excessive debt. In contrast, those who lack financial literacy often make poor financial choices, such as failing to save enough for retirement, accumulating high-interest debt, and missing out on investment opportunities. Financial literacy is not only important at the personal level but also plays a key role in overall economic growth and financial stability.

Across various countries, financial illiteracy remains widespread, with many individuals struggling to understand basic financial concepts such as inflation, interest rates, and risk diversification. This lack of knowledge is especially prevalent among women, individuals with lower levels of education, and minority groups. The gaps in financial understanding contribute to economic inequality, as those who struggle with financial concepts often face greater financial challenges. Financial literacy also plays a crucial role in retirement planning—those who are financially literate are more likely to participate in pension programs, make informed investment decisions, and prepare adequately for their future financial needs. On the other hand, individuals who lack financial knowledge tend to delay or avoid retirement planning, putting themselves at risk of financial insecurity in later years.

The issue of financial illiteracy is not confined to any one country or region but is a global concern. Both developed and developing nations struggle with financial literacy gaps that hinder people's ability to manage their finances effectively. Governments, financial institutions, and educational organizations have made efforts to address this problem through school-based financial literacy programs, workplace financial education initiatives, and public awareness campaigns. Financial education should ideally begin in childhood and continue into adulthood, ensuring that individuals acquire the knowledge and skills needed to make informed financial decisions throughout their lives.

Financial decision-making is also influenced by psychological factors, particularly confidence. Many people with low financial literacy lack confidence in their financial abilities, which can lead to indecision and avoidance of financial matters. On the other hand, overconfidence can be just as problematic—those who believe they understand financial concepts better than they do may take excessive risks without fully grasping the potential consequences. To be truly effective, financial education should not only provide knowledge but also help individuals build the right level of confidence to make responsible financial choices.

Overall, financial literacy is an essential life skill that impacts an individual's financial security and overall economic well-being. Strengthening financial education programs and policies can help close knowledge gaps and promote better financial habits. By improving financial literacy, individuals can make smarter financial choices, reduce economic disparities, and contribute to a more stable and prosperous economy. Future efforts should focus on refining financial education strategies and making financial literacy accessible to all, ensuring that people have the tools they need to navigate today's complex financial landscape.

Lusardi, Annamaria, and Olivia S. Mitchell. 2014. "The Economic Importance of Financial Literacy: Theory and Evidence." Journal of Economic Literature 52 (1): 5–44. DOI: 10.1257/jel.52.1.5

Financial literacy plays a crucial role in shaping saving behavior, both directly and indirectly, through factors such as saving intention and attitude towards saving. A higher level of financial literacy positively influences an individual's ability to manage financial statements, which, in turn, strengthens their saving habits. Saving intention acts as a mediator in this relationship, meaning that individuals with a strong desire to save—whether for a specific goal, to manage risks, or to overcome saving barriers—are more likely to develop better saving behaviors. Raising awareness about future financial risks and unexpected expenses can enhance saving intention, while external factors, such as financial technology (fintech), help facilitate saving by providing easier access to investment options and financial control tools. Additionally, attitude towards saving plays a key role in reinforcing the link between financial literacy and saving behavior. Encouraging a positive attitude towards saving, built on the understanding that financial risks can be managed and that future financial needs are certain, strengthens an individual's commitment to saving. However, subjective norms, such as social influences from family and friends, do not directly affect saving behavior unless they first shape a person's positive attitude towards saving. A sense of security in saving is a crucial factor, as individuals are more likely to save when they feel their money is safe. The study finds that subjective norms are not a major influence on investment decisions, which contradicts previous research but aligns with the Theory of Planned Behavior (TPB). Additionally, other variables, beyond financial literacy and subjective norms, may influence saving behavior and should be considered in future research. Expanding the study to include more diverse participants and testing saving behavior in specific financial products, such as bonds or insurance, could provide deeper insights. Furthermore, integrating TPB with other management theories, such as innovation theory or Dynamic Capability Theory, could enhance future research on financial literacy and saving behavior.

Widjaja, Indra, Agus Zainul Arifin, and Made Setini. "The effects of financial literacy and subjective norms on saving behavior." Management Science Letters 10.15 (2020): 3635-3642. The effects of financial literacy and subjective norms on saving behavior

This study looks at how financial knowledge and parents' money habits affect how young adults save and invest. It shows that people who understand finances well are more likely to save regularly and make smart investments. This means that learning about money helps people make better decisions about budgeting, saving, and investing. In both rich and developing countries, knowing how to manage money can help people use banks and informal savings methods more effectively. People with good financial knowledge are also more likely to invest in stocks, mutual funds, and other financial products because they can better understand risks and rewards. Many studies support this idea, showing that financial literacy leads to better financial habits and stability. This makes it important to teach financial skills early so that more people can make smart financial decisions throughout their lives.

The study also finds that parents play a big role in shaping their children's money habits. When parents handle money responsibly, their children learn from them and develop similar habits. This means financial knowledge is not just learned in school but also at home. If parents save money, invest wisely, and spend carefully, their children are more likely to do the same when they grow up. The study shows a strong link between how parents manage money and how their children save and invest in the future. This supports past research that suggests parents are key in teaching good financial habits. Some studies say that parents only have an indirect influence on their children's financial behavior, but this study proves that their influence is direct and significant. This shows that teaching children about money at home is just as important as formal education.

Because of these findings, the study suggests that financial education should be taught more in schools and that parents should set good examples when it comes to managing money. By learning financial skills early, young people can make better decisions about saving and investing. Governments, schools, and families should work together to teach financial responsibility, which will help individuals and society as a whole. The study makes it clear that financial knowledge, the habit of saving, and parental influence all play a big role in shaping good financial behavior. By improving financial education and encouraging smart money habits, people can enjoy better financial security, and the economy can become stronger.

Owusu, Godfred Matthew Yaw, et al. "Savings and investment behavior of young adults: the role of financial literacy and parental financial behavior." African Journal of Management Research 27.1 (2020): 75-92. Savings and investment behaviour of young adults: the role of financial literacy and parental financial behaviour | African Journal of Management Research

This study examined the spending and saving habits of American high school students, revealing that many students show both frugality and financial challenges due to their low income. While a significant portion of students spent less than $25 per month on various expenses such as food, apparel, automobile costs, and entertainment, this was largely because they earned less than $50 per month. However, despite their limited income, many students still allocated a large portion of their earnings to specific categories. For example, around 30% of students spent between $25 and $50 on food, suggesting that they use a significant amount of their money on eating out. Interestingly, approximately 60% of participants spent at least $25 on clothing each month, indicating a tendency to overspend on non-essential items. Automobile expenses were generally low since many participants were too young to drive or work, which is consistent with labor laws in Virginia that require most workers to be at least 16 years old. Entertainment and media expenses were relatively high, with over half of the students spending at least $25 per month on streaming services, video games, and other digital content, which highlights the growing popularity of these products among teenagers.

On the positive side, more than half of the students reported having a savings account, though most could only save small amounts due to their low income. Despite financial limitations, about 10% of students managed to save over $150 per month, which suggests that some students have strong saving habits. However, very few students—only 8 in the entire study—had a retirement savings account, and only 10 had an investment account. This lack of engagement with long-term financial planning is likely due to a lack of knowledge, as financial literacy courses do not adequately teach students how to open and manage these types of accounts. Although some financial institutions offer special investment options for minors, most students are unaware of these opportunities because financial education in schools does not provide practical guidance on wealth-building strategies.

The study also tested whether students' financial habits changed after taking a financial literacy course, but the results showed no significant improvement. Statistical tests comparing students' spending and saving behaviors before and after the course found no meaningful differences, suggesting that the course failed to effectively teach students how to apply financial strategies in real life. The Chi-Squared tests showed that the spending patterns remained nearly identical between the first and second rounds of the survey, with no major shifts in income, expenses, or saving behaviors. This indicates that simply providing financial education is not enough if it does not include practical, hands-on learning experiences. Overall, the findings suggest that while high school students understand basic financial concepts, they struggle to apply them in a meaningful way. Schools may need to rethink their approach to financial education, incorporating real-world applications and strategies to help students develop better financial habits that will benefit them in adulthood.

Rich, Aidan, The Effectiveness of Financial Literacy Education in Teaching High School Students to Apply Proper Saving and Spending Habits (April 29, 2022). Available at SSRN: http://dx.doi.org/10.2139/ssrn.4097086

This study examines how employees in Taiwan's electronics industry manage their finances and investments using the Theory of Planned Behavior. It looks at the impact of financial attitudes, social influences, financial knowledge, and perceived financial control on their investment decisions. The results show that having a positive financial attitude strongly enhances financial knowledge, meaning that when people think positively about money management, they are more likely to seek out financial education and apply it effectively. This supports the idea that financial education plays a key role in improving both knowledge and confidence in handling money matters. However, the study also finds that social influences, known as "subjective norms," do not directly impact financial knowledge. This suggests that individuals prefer to rely on their understanding rather than being influenced by what others think when making financial decisions. Similarly, the sense of financial control, which refers to a person's belief in their ability to manage finances effectively, does not significantly affect financial knowledge. Although people may feel in control of their financial situation, this feeling alone does not necessarily increase their actual financial knowledge. On the other hand, the study finds that financial attitudes do influence subjective norms, meaning that people with a positive view of financial management are more likely to be influenced by social expectations related to money. Furthermore, subjective norms have a strong and positive effect on perceived financial control, which indicates that people who are surrounded by others with strong financial discipline are more likely to feel confident in managing their finances. The study also reveals that financial knowledge plays an important role in shaping financial intentions, meaning that people who understand financial matters well are more likely to make informed decisions, engage in financial planning, and participate in investment activities. A key issue highlighted in the study is that employees in Taiwan's electronics industry often work long hours, leaving them with limited time and opportunities to gain financial and investment knowledge. Despite this, financial literacy is an essential life skill that can significantly impact a person's long-term financial stability. Therefore, the study suggests that companies should integrate financial education into their employee training programs, helping workers avoid financial losses caused by a lack of knowledge. Employees who receive financial training will be better equipped to handle their finances, make smarter investment decisions, and plan for their future more effectively. Additionally, the findings indicate that middle- and high-income investors should not only rely on their financial attitudes and perceived control over their money but also make an effort to expand their financial knowledge to improve their investment strategies. By developing a positive financial mindset and actively increasing their knowledge, individuals can reduce risks in personal finance and investment decisions. However, the study acknowledges a limitation in its scope, as it only focuses on employees in Taiwan's electronics industry. This means the findings may not necessarily apply to workers in other industries or regions. To gain a more comprehensive understanding of financial behavior across different professions and demographics, future research should expand its focus to include a more diverse range of participants. Broadening the scope of such studies would provide valuable insights that could help create more effective financial education programs and strategies tailored to different groups of people, ultimately improving overall financial literacy and investment behavior on a larger scale.

Shih, Hsien-Ming, et al. "A study of the financial behavior based on the theory of planned behavior." International Journal of Marketing Studies 14.2 (2022):

Financial literacy has garnered significant attention globally, especially in developing economies like India, where understanding financial concepts is crucial for effective personal financial management. The study titled "A Study of Financial Literacy and Its Determinants: Evidence from India" by Kapil Choudhary and Samriti Kamboj offers an in-depth analysis of financial literacy levels among individuals in Haryana, India, and examines the factors influencing these levels.

The study utilizes a questionnaire developed by the Organisation for Economic Co-operation and Development (OECD) to assess financial literacy among 500 respondents from Haryana. The findings reveal that only one-third of the participants exhibit high financial literacy. While many possess basic financial knowledge and demonstrate positive financial behavior, a significant 57% lack a positive financial attitude. This suggests a critical need for initiatives aimed at transforming financial attitudes to enhance overall financial literacy.

Demographic factors play a pivotal role in financial literacy levels. The study identifies that low income, income instability, and younger age are associated with lower financial literacy. These insights underscore the necessity for targeted financial education programs that address these specific demographic challenges.

In the broader context, previous studies have highlighted the importance of financial education in improving financial literacy. For instance, research by Agarwalla et al. (2012) emphasizes the need for comprehensive financial education among students, young employees, and retirees in India. Similarly, Lusardi and Mitchell (2011) discuss the global variation in financial literacy levels and the critical role of education in enhancing financial decision-making capabilities. The findings of Choudhary and Kamboj align with these studies, reinforcing the argument that financial education is essential for fostering financial well-being.

The study contributes to the existing literature by providing a comprehensive analysis of financial literacy in Haryana, India. It highlights the multifaceted nature of financial literacy, encompassing knowledge, behavior, and attitude, and underscores the influence of sociodemographic factors. The research advocates for policy interventions and educational programs tailored to address the identified gaps, aiming to enhance financial literacy and promote better financial outcomes for individuals in the region.

Choudhary, K., & Kamboj, S. (2017). A Study of Financial Literacy and Its Determinants: Evidence from India. Asian Journal of Accounting Perspectives, 10(1), 52–72. A Study of Financial Literacy and Its Determinants: Evidence from India

This study aims to understand financial literacy levels among three key groups in India: young working adults, retirees, and students. The employed and retired individuals were surveyed on their financial knowledge, behavior, and attitude, while students were assessed only on financial knowledge since they may not have significant experience managing finances. The study included nearly 3,000 participants from different parts of the country.

The results show that financial knowledge among Indians is generally low. Less than a quarter of the participants were categorized as highly knowledgeable based on the OECD's financial literacy standards. Compared to other countries, financial knowledge in India is below the global average. Many people do not fully understand essential financial concepts like compound interest, inflation, and diversification, which are important for making smart financial decisions. This lack of understanding is a serious concern, as it affects personal and household financial choices.

Despite the low financial knowledge, Indians tend to have good financial behavior. Both employed and retired individuals show strong financial discipline, assessing affordability before spending and relying more on savings than borrowing. Their financial behavior is among the best in the OECD sample, and those with better financial knowledge tend to exhibit more responsible financial habits.

Indians also have a positive attitude toward money management, similar to some OECD countries. They generally have a good approach to saving and spending. The study found that men tend to have slightly higher financial knowledge than women, but the gap is smaller than in other countries. People from rural areas score lower in financial knowledge compared to those from urban regions. Higher education and wealth are associated with better financial knowledge. However, financial behavior and attitudes among women are slightly better than those of men. Married individuals and those with higher incomes are more likely to focus on financial planning, saving, and careful spending. Education and an urban background do not seem to influence financial attitudes significantly.

For retirees, the study also looked at financial planning for retirement. The findings show that most retirees start saving early and plan for their post-retirement income. Around 68% of them rely on pensions, and they mostly invest in safe financial products. Their retirement planning appears to be moderately successful. However, overall awareness of financial products is low, which may prevent individuals from diversifying their investments. Less than a quarter of respondents rely on independent financial advisors or advertisements for financial information.

One of the key takeaways from the study is that financial knowledge in India is very poor, even when compared to other countries with low financial literacy. This lack of knowledge is partly due to weak numeracy skills, likely caused by issues in India's primary education system. The low financial knowledge among students further highlights weaknesses in the education system. However, despite this poor knowledge, Indians generally demonstrate good financial behavior and attitudes, which help balance their overall financial literacy scores to be on par with global standards.

While the current generation of retirees has managed their finances reasonably well, future generations may face greater financial challenges. Unlike earlier retirees who benefited from fixed pension plans, today's workers must manage their retirement savings. Factors such as longer life expectancy, market fluctuations, job insecurity, and increasing access to credit could affect financial behavior over time. In addition, traditional informal sources of financial advice, which worked well for past generations, may not be as effective in today's more complex financial environment.

The study highlights an urgent need for government policies to improve financial literacy in India. The good news is that while changing financial attitudes and behaviors can be difficult, increasing financial knowledge is more straightforward. Since Indians already have relatively good financial habits and attitudes, an education-focused financial literacy program could help fill the knowledge gaps.

Furthermore, stronger regulations are needed to ensure financial services and advice are delivered effectively to meet the needs of today's generation. More research is also required to fully understand financial literacy in India. Given the country's vast diversity in language, education levels, and economic conditions, surveys alone may not be enough. Future studies should incorporate other research methods, such as focus group discussions, experiments, and long-term studies, to get a clearer picture of financial literacy across different regions of India.

Agarwalla, S. Kumar, et al. "A survey of financial literacy among students, young employees, and the retired in India." Jun. 2012,

https://www.academia.edu/download/54959352/Article_2_A_survey_of_Financial_Literacy_among_students__young_employees_and_the_retired_in_India..pdf

Financial literacy is an important life skill needed to achieve financial well-being in today's world. It refers to the ability to understand financial concepts, including knowledge, behavior, and attitudes toward managing money. This includes earning, saving, spending, and investing wisely, as well as making informed decisions about needs and wants. Financial literacy benefits both individuals and countries. On a personal level, it helps people plan for retirement, avoid financial scams, and handle unexpected financial difficulties. On a larger scale, it contributes to reducing poverty and promoting economic development.

To ensure that people develop strong financial literacy skills, financial education should start from a young age. Teaching children about money management early on can help them make better financial decisions in adulthood. Parents, schools, the media, and the government all play an essential role in promoting financial education. Given the importance of financial literacy, Cambodia should work toward providing high-quality financial education at all levels, from primary school to higher education. The government should prioritize integrating financial literacy into school curricula, making it a required subject with proper assessments. Teachers should also receive proper training on how to effectively teach financial literacy, including relevant teaching methods and curriculum guidelines.

In addition to government efforts, NGOs, donors, and private organizations should provide both financial and technical support to ensure that financial education programs are successfully implemented in schools. Public awareness campaigns, such as those run by the National Bank of Cambodia (NBC), should be expanded to reach a wider audience. Financial education materials, including videos, podcasts, stories, and talk shows, should be created and shared on popular social media platforms like Facebook, YouTube, Telegram, and TikTok. This would make financial knowledge more accessible, especially to young Cambodians who frequently use social media.

However, this article has some limitations. One major drawback is the lack of primary data, as it is based on a review of existing literature rather than direct research. Another limitation is the limited availability of research articles on financial literacy in Cambodia, which prevents a more in-depth analysis of the topic. Despite these challenges, the article provides valuable insights for government agencies, educational institutions, NGOs, researchers, and educators to consider when addressing this critical issue.

To build on this research, future studies should explore the perspectives of key stakeholders, particularly teachers and students, regarding financial literacy education and how it can be improved in Cambodia. Understanding how different groups perceive the importance of financial literacy in real-life situations is essential. Additionally, future research should focus on strategies to overcome challenges in promoting financial literacy, particularly among high school and university students. By addressing these issues, Cambodia can develop a stronger foundation for financial literacy, ensuring that young people are well-prepared to manage their finances effectively.

Tes, Vitou, and Kimkong Heng. "Financial literacy education: What it is and how it is needed for Cambodian students." Cambodian Journal of Educational Research 4.1 (2024): 57-83. Financial literacy education: What it is and how it is needed for Cambodian students

The **Behavioral Life-Cycle (BLC) Hypothesis** is an improved version of the traditional life-cycle theory of saving, incorporating concepts like **self-control, mental accounting, and framing**. The main idea of this theory is that people do not view all their wealth as interchangeable, even when there are no restrictions on borrowing or credit. Instead, they mentally divide their wealth into **three categories: current income** (money earned and readily available for spending), current **assets** (savings and investments that can be accessed if needed), and future **income** (expected earnings, such as retirement funds or pensions). People are more likely to **spend money from their current income** and less likely to spend from their future income. This is because **the temptation to spend is strongest for money that is immediately available** and weakest for money set aside for the future.

Shefrin, Hersh M., and Richard H. Thaler. "The behavioral life-cycle hypothesis." Economic Inquiry 26.4 (1988): 609-643. THE BEHAVIORAL LIFE-CYCLE HYPOTHESIS - Shefrin - 1988 - Economic Inquiry - Wiley Online Library

Prospect Theory, developed by **Kahneman and Tversky in 1979**, and its improved version, **Cumulative Prospect Theory in 1992**, explain how people make decisions when facing uncertainty. These theories show that people do not always make rational choices based on expected utility. Instead, they tend to evaluate potential gains and losses differently. This paper reviews how **Prospect Theory** is applied to **portfolio selection** and how it affects **asset pricing** in financial markets. The authors suggest that the original model by Tversky and Kahneman, which used a **piecewise power value function**, should be replaced with a **piecewise negative exponential value function** to improve its accuracy and application. This new approach has several benefits. First, it avoids the **Bernoulli Paradox**, which occurs in lotteries with a limited expected value. Second, it eliminates the issue of **infinite leverage**, which can create unrealistic financial predictions. Third, it ensures that the **Capital Asset Pricing Model (CAPM)** can work even when investors have different risk preferences. Fourth, it helps explain important **asset pricing puzzles**, such as the **equity premium puzzle, the value puzzle, and the size puzzle**, which have puzzled economists for years. Another key advantage of this improved model is that it explains the **disposition effect**, which describes how investors tend to sell winning stocks too early and hold on to losing stocks for too long. The revised version of **Prospect Theory** solves these issues and makes it easier to connect with **Mean-Variance Portfolio Theory**, a well-known approach used to build investment portfolios. By improving **prospect theory**, researchers and financial experts can better understand how investors make decisions and how financial markets behave.

De Giorgi, Enrico, and Thorsten Hens. "Making prospect theory fit for finance." Financial Markets and Portfolio Management 20 (2006): 339-360. Making prospect theory fit for finance | Financial Markets and Portfolio Management

This research **tests Cumulative Prospect Theory (CPT)** in the **financial market** using **US stock option data**. CPT is a theory developed by **Kahneman and Tversky** that explains how people make decisions when facing **risk and uncertainty**. People do not always make logical financial choices; instead, they often react emotionally to **gains and losses**. The study looks at **option prices**, which contain important information about how real investors behave when making financial decisions. By analyzing these prices using traditional financial methods and theoretical models, the researchers can better understand **how investors think and what influences their choices**. The study focuses on two main parts of **CPT**: the **value function** and the **probability weighting function**. The **value function** explains how people feel about **gains and losses**, often feeling **losses more strongly than gains**. The **probability weighting function** explains how people **perceive the likelihood of different financial outcomes**, sometimes **overestimating rare events** and **underestimating common ones**. The researchers used real market data to estimate these functions and compared the results to previous studies conducted in **controlled laboratory settings**. They found that the shape of the estimated functions **matches the CPT theory**, but real-world investors behave slightly differently than those in laboratory experiments. In real financial markets, investors appear to be **less sensitive to losses** than expected, meaning they do not always react as strongly to losing money as the theory suggests. The results show that while **CPT helps explain financial decision-making**, real investors may think differently when dealing with actual money compared to a controlled experiment. This research helps improve our understanding of **how people make investment choices**, which could be useful for financial experts, policymakers, and investors looking to **better manage risks and make smarter financial decisions**.

Gurevich, Gregory, Doron Kliger, and Ori Levy. "Decision-making under uncertainty—A field study of cumulative prospect theory." Journal of Banking & Finance 33.7 (2009): 1221-1229. Decision-making under uncertainty—A field study of cumulative prospect theory - ScienceDirect

A new study examined **85 different industries**, covering about **3,300 companies**, to understand how businesses make decisions about **risk and return**. The findings provide strong evidence that **prospect theory** helps explain how companies balance taking risks and earning returns. The study showed that when **companies are performing below their target level**, they are more likely to **take risks** in an attempt to improve their situation. These companies may make bold decisions, invest in new projects, or take chances that could help them grow faster. On the other hand, **companies that are performing above their target level** tend to **avoid risks** because they want to protect their success. These successful companies may focus more on maintaining stability rather than making risky moves that could cause losses. Additionally, the study found that the difference in behavior between companies **below and above their target level** was significant. Specifically, the relationship between **risk and return** was much stronger for companies below their target. The study found that companies below their target level were about **three times more likely** to take big risks compared to those above their target. This means that businesses that are struggling or not meeting their goals often take **bigger risks** in hopes of improving, while companies that are already successful prefer to **play it safe** to avoid potential losses. These findings help explain why some businesses make bold financial moves, while others choose to be more cautious in their decisions.

Fiegenbaum, Avi. "Prospect theory and the risk-return association: An empirical examination in 85 industries." Journal of Economic Behavior & Organization 14.2 (1990): 187-203. Prospect theory and the risk-return association: An empirical examination in 85 industries - ScienceDirect

This study tries to understand how having **less self-control** affects the way people **make investment decisions**. To do this, the researcher used a **well-known psychological method** to temporarily **reduce the self-control** of some participants. The study involved **two different experiments** to see how people behave when making financial choices. The results showed that **there was no big direct effect** on investment behavior, but there were **some smaller effects** that matched what other studies on self-control and financial decisions have found. In the **first experiment**, the focus was on the **disposition effect**, which is the tendency of people to **sell winning investments too early** and **hold on to losing investments for too long**. The results showed that **reducing self-control** did **not** cause a major change in the disposition effect, but participants with **lower self-control** ended up trading **fewer different stocks** in each round. This suggests that they may have been **less active** in making investment choices. In the **second experiment**, the study looked at **myopic loss aversion**, which means how people react to short-term losses and whether it makes them avoid investing. The experiment was designed with **two different investment time frames** and **two self-control conditions**, meaning that some participants had their **self-control lowered**, while others had their **normal self-control**. The results showed that people with **lower self-control** were **more affected** by how the choices were presented, which means that their decisions were

influenced by framing effects. However, when comparing how much money people invested, there was **no major difference** between those with **low self-control** and those with **normal self-control** in each group. But when looking deeper into how people **changed their decisions over time**, an important pattern appeared. People with **lower self-control** in one of the groups **invested less and less over time**. This happened because they **reacted more strongly** to their past experiences of winning and losing money. This suggests that when people have **less self-control**, they might **let their emotions guide their financial choices more** and could become **more cautious or fearful** after experiencing losses. Overall, this study shows that **self-control plays an important role in investment decisions**, especially in **how people respond to gains and losses over time**. Understanding this can help researchers and financial experts find ways to **improve financial decision-making** and help people **avoid mistakes** when managing their money.

Lucks, Konstantin. "The impact of self-control on investment decisions." (2016). The Impact of Self-Control on Investment Decisions.

This study explores how **financial literacy** and **thinking styles** influence the way people make **investment decisions**. Financial literacy refers to a person's ability to **understand financial concepts** and make **wise financial choices** regarding saving, investing, and managing money. The research combines ideas from **finance and psychology**, focusing on **two different ways people process information**—**intuition** and **cognition**. Intuition means **trusting gut feelings** and making quick decisions based on **instincts**, while cognition involves **analyzing information carefully** and using **logic** before making choices. The researchers suggest that even when people have **high financial knowledge**, they may **ignore their logical thinking** if they strongly believe in **following their instincts**. To test this idea, they created a **special experiment** where participants experienced **simulated stock market changes** and tracked their **trading performance** over time. The results showed that people who had **high financial knowledge** made **poorer investment decisions** when they relied too much on **intuition instead of logical thinking**. They tended to make riskier choices that did not lead to **better financial rewards**. To ensure that this result was accurate, the researchers conducted **two additional experiments** and found that the same pattern repeated. This confirmed that relying on **intuition over logic** could negatively affect financial decisions, even for people who were otherwise financially knowledgeable. Additionally, the researchers wanted to see if this behavior also happened in **real-world financial markets**. To do this, they examined **transaction records from a large European online broker** to study the actual investment behavior of people with different thinking styles. The results showed that **even in real-world investing**, people who trusted their **intuition too much** made decisions that **harmed their financial performance**. This study makes an important contribution to research on **financial behavior** by explaining **how and when personal thinking styles affect investment choices**. It highlights the importance of **not only having financial knowledge** but also **using logical decision-making processes** to make better financial choices.

Glaser, Markus and Walther, Torsten, Run, Walk, or Buy? Financial Literacy, Dual-Process Theory, and Investment Behavior (April 16, 2014). Available at SSRN: Run, Walk, or Buy? Financial Literacy, Dual-Process Theory, and Investment Behavior.

In recent years, more and more people have become interested in learning how to manage their money wisely. Many big organizations, such as the **OECD** and the **World Bank**, have started programs to teach people how to make better financial decisions and avoid mistakes that could harm their future. These programs are meant to improve financial skills and help people stay on the right track with their money. However, research on **financial literacy** often looks at **what** financial knowledge does, rather than **why** it affects people's decisions. Even though many studies have examined the link between financial literacy and economic behavior, there is still no clear explanation of **how financial knowledge influences the way people manage their money**. This study aims to fill that gap by introducing a new idea called the **Cognitive Modulation of Economic Behavior (CMEB) model**. This model is based on well-known psychological theories, such as **Kahneman's two systems model** and **Thaler and Shefrin's self-control model**. These theories explain that people use two types of thinking when making decisions: **fast, automatic thinking** (which is based on instincts) and **slow, careful thinking** (which requires effort and mental focus). The **CMEB model** applies these ideas to **financial literacy**, suggesting that making good financial choices requires **mental effort, self-control, and cognitive resources**.

The study focuses on **two main factors** that influence how well people can use their financial knowledge: (1) a person's **mental abilities, self-control, and emotional state**, and (2) the **complexity of the financial task** they need to complete. Some financial tasks, such as **planning for the future**, are more difficult because they require a lot of thought and effort. These tasks may cause people to struggle, making it harder for them to use their financial knowledge. On the other hand, simple financial tasks, such as **comparing product prices**, require less effort, allowing people to use their financial knowledge more easily. The study also looks at different factors that can **affect decision-making**, such as **economic stress, lack of self-control, and financial avoidance**. People under financial pressure or those who avoid dealing with money matters may struggle to make the best financial choices. The research uses **four different studies** to explore how financial knowledge influences real-life financial behavior.

The **first study** uses survey data from **Israel's Central Bureau of Statistics** to analyze how financial literacy relates to economic behavior. The results show that financial literacy alone does not fully explain why some people are good at managing money while others are not. This suggests that other factors, such as **income level and financial habits**, also play an important role. The **second study** examines the relationship between personality traits, financial literacy, and financial behavior using an online survey. The findings reveal that **financial literacy helps people make smart consumer choices**, but other financial decisions, such as **long-term investments**, are more influenced by a person's personality and financial background. The **third study** analyzes an **intervention program** designed to help people struggling with financial difficulties. It finds that people with **low incomes** benefit the most by **finding ways to earn more money**, while those with **higher incomes** improve their financial situation by **learning how to reduce their expenses**. The program also shows that people's financial behaviors change over time, depending on their income and ability to manage money. The **fourth study** looks at **pension decisions** and finds that many people **withdraw their retirement savings early,** not because they lack financial knowledge, but because they urgently need money. However, small changes in how financial information is presented can help people make better long-term financial decisions.

The results of this research suggest that **financial education programs and government policies** should focus not only on **teaching financial knowledge** but also on **helping people apply that knowledge**

effectively in their daily lives. Simply knowing about financial concepts is not enough—people also need the **mental and emotional capacity** to use this knowledge when making important financial decisions. This study connects ideas from **psychology and economics** to explain **how financial literacy works** in real life. By introducing the **CMEB model**, the research provides a **new understanding of financial decision-making** and offers a strong foundation for future studies in this field. It highlights the importance of **cognitive effort, emotional control, and financial habits** in determining whether people can successfully use their financial knowledge. This understanding can help improve financial education programs and develop better strategies to assist people in making wise financial choices throughout their lives.

Carmel, Eyal. Towards a dual-process conception of the selective influence of financial literacy on economic behavior. Diss. Ben-Gurion University of the Negev, 2018. Towards a Dual Process Conception of the Selective Influence of Financial Literacy on Economic Behavior by Eyal Carmel

Financial well-being is an important topic in today's world, especially when it comes to how people manage their personal and household finances. This study focuses on how certain mental abilities—specifically **financial literacy**, **mental budgeting**, and **self-control**—can affect a person's **subjective financial well-being**, which means how people feel about their financial situation. Although many different things can influence someone's financial well-being, the researchers decided to look closely at these three **cognitive factors** because they play a big role in how people make financial decisions in everyday life. The study also looks at whether **investment decision-making behavior** helps explain how these mental skills are connected to financial well-being. In other words, it explores whether the way people decide where to put their money acts as a link between these thinking skills and their overall financial health.

To study this, the researchers collected data from **449 university students in China** and analyzed it using a method called **Partial Least Squares Structural Equation Modeling (PLS-SEM)**. The findings show that people who are more **financially literate**—meaning they understand basic financial concepts—tend to have better financial well-being. They are more confident, make better financial choices, and feel more in control of their money. Those who practice **mental budgeting**, which means planning and keeping track of spending in their minds, also show higher levels of financial well-being. Mental budgeting helps people avoid overspending and make better use of their money. In addition, having **self-control**, or the ability to manage impulses and avoid unnecessary spending, was also linked to better financial outcomes.

Another key finding from the study is that **investment behavior** plays an important part in this process. The way people make decisions about investing their money partly explains how financial knowledge, budgeting habits, and self-control lead to better financial well-being. So, people who are smart with their investments usually have strong financial skills and good control over their spending and saving habits. This chain of behavior leads to a better sense of financial security and satisfaction. The study shows that all three mental abilities work together and influence not only how people think about money but also how they act with money.

In conclusion, this research adds to our understanding of what affects financial well-being. It shows that simply knowing about money is not enough—people also need to plan, stay in control, and make smart investment choices. These findings are useful for **policymakers**, **financial educators**, and **individuals** who want to improve financial outcomes and help people lead more financially secure lives. The study highlights the need to support financial education while also helping people develop habits like budgeting and self-control, so they can make the most of their financial knowledge and improve their long-term well-being.

Bai R. Impact of financial literacy, mental budgeting, and self-control on financial well-being: Mediating impact of investment decision-making. PLoS One. 2023 Nov 14;18(11):e0294466. DOI: 10.1371/journal.pone.0294466. PMID: 37963159; PMCID: PMC10645357. Impact of financial literacy, mental budgeting, and self-control on financial well-being: Mediating impact of investment decision-making—PMC

This research paper looks at how understanding money, also called financial literacy, can help people save more and make better financial choices. Today, many people around the world are dealing with money problems like growing debt, big gaps in income between rich and poor, and the need to save for things like retirement, emergencies, or big future goals. Because of this, knowing how to manage money has become more important than ever. The study brings together information from many countries and looks at research done between 2010 and 2023. It tries to find out how being good with money, like knowing how to make a budget, how interest works, and how to handle risk, can affect how people save their money. In richer countries, the study found that people who know more about money are much more likely to have emergency savings, retirement accounts, or other types of savings. For example, in Japan, students learn about money in school, and this has helped increase the number of families who save by 15% over ten years. But in countries that are still developing, like India and Kenya, just knowing about money is not enough to help people save, especially if they do not have access to banks or safe places to keep their money. Still, new tools like mobile banking apps have made a big difference. In Kenya, for instance, a service called M-Pesa helped low-income people increase their savings by up to 40% when it was combined with financial education.

The research also shows that different groups of people act differently when it comes to money. Women often score lower on money knowledge tests, but they are still very good at saving and usually put aside 20–25% of their income to take care of their families or prepare for emergencies. Young people between the ages of 18 and 35 who understand money well are more likely to invest in things like stocks or digital money, which shows that the younger generation is handling money in new and different ways. However, there are still some problems. People sometimes spend money right away instead of saving for the future. This is called present bias. Also, some people think they are good with money when they are not. And this overconfidence can lead to poor money choices. Even people with good education sometimes fall into these traps. Because of this, the study says that teaching people about money is important, but we also need to have helpful policies and support in place. Some good examples come from countries like Chile, where changes to the retirement system have helped people save more, and Brazil, where sending people simple reminder messages on their phones has helped them save regularly. The study suggests that financial education should start in schools, banks should be made easier to access in poor or rural areas, and new technology should be used to give people helpful money advice. When people have both the knowledge and the tools they need, they can make better choices, save more, and have a safer, more stable financial future for themselves and their families.

Shivam Pathak1 and Dr. Manoj Pandey2, Impact of Financial Literacy on Savings Behaviour, Journal homepage: www.ijrpr.com ISSN 2582-7421, https://ijrpr.com/uploads/V6ISSUE3/IJRPR40480.pdf

4. Theoretical Framework

Financial literacy is the knowledge and skill to manage personal finances effectively. It comprises budgeting, saving, investing, managing debt, and money decision-making skills to achieve financial stability and security.

- **BUDGETING**—the process of calculating how much money you must earn or save during a particular period and of planning how you will spend it. It is one of the crucial financial planning tools, as it helps individuals and organizations set goals by analyzing the various sources of income, expenses, and savings targets. This makes it easier for the individuals to understand their financial viability and allocate resources. A well-planned budget can help navigate through sudden financial roadblocks by allocating a part of resources and money to the emergency budget. This emergency budget acts as a safety net, reducing the increased reliance on debt or external sources of funds during crisis times. It helps in identifying areas of overspending and assigns specific spending limits on different areas of expense.
- **SAVING**—Saving is the portion of income not spent on current expenditures. In other words, it is the money set aside for future use and not spent immediately. Saving money can help us cover unexpected expenses and help us buy things that we desire. In addition, savings can be invested, and as a result, you get a profit on the money you have set aside. That is to say, not only will you have the funds available to spend later, but you will also earn money in the process.
- **INVESTING**—Investment is traditionally defined as the "commitment of resources to achieve later benefits." If an investment involves money, then it can be defined as a "commitment of money to receive more money later." In finance, the purpose of investing is to generate a return on the invested asset. The return may consist of a capital gain (profit) or loss, realized if the investment is sold, or unrealized— ebt capital appreciation (or depreciation) if yet unsold. It may also consist of periodic income such as dividends, interest, or rental income. The return may also include currency gains or losses due to changes in foreign currency exchange rates.
- **MANAGING DEBT**—Debt management is the process of planning and organizing how you'll pay off your debt. This is typically accomplished by creating a debt management plan (DMP), which outlines your outstanding balances and how they will be eliminated. The main goal of any debt management plan is to advance you toward becoming debt-free. This could be done through strategically prioritizing payment of certain debts over others, getting a lower monthly payment or interest rate through negotiation with the lender, and working with the creditors to pause interest charges, forgive late fees, or reduce some portion of your debt. A debt management plan can help lay the groundwork for paying down debt and save you money in the long run.

Cognitive biases are mental shortcuts or patterns of thinking that can lead individuals to make irrational or suboptimal decisions. Among students, these biases significantly influence financial decision-making, often resulting in behaviors that may jeopardize their long-term financial health. Understanding these biases is crucial for developing strategies to mitigate their impact and promote better financial habits among students.

Present Bias: One prominent cognitive bias affecting students is **present bias**, which is the tendency to prioritize immediate rewards over future benefits. This bias can lead students to engage in impulsive spending rather than saving for future needs. For example, a student might choose to spend money on entertainment or luxury items instead of saving for tuition fees or emergency expenses. This preference for immediate gratification can result in inadequate savings and increased financial vulnerability.

Overconfidence Bias: Another common bias is **overconfidence**, where individuals overestimate their knowledge or abilities. Students may believe they have a better understanding of financial matters than they do, leading them to make risky investments or neglect thorough research before making financial decisions. This overestimation can result in poor investment choices and financial losses.

Loss Aversion: Loss aversion refers to the tendency to prefer avoiding losses rather than acquiring equivalent gains. Students exhibiting this bias might avoid investing or participating in financial opportunities due to the fear of losing money, even when the potential for gain is significant. This conservative approach can hinder wealth accumulation and financial growth over time.

Herd Mentality: The **herd mentality** bias leads individuals to follow the actions of a larger group, often without independent analysis. In a student context, this might manifest as adopting spending habits or investment choices based on peer behavior rather than personal financial assessments. Such behavior can result in decisions that are not aligned with one's financial goals or capabilities.

Anchoring Bias: Anchoring bias occurs when individuals rely heavily on the first piece of information encountered (the "anchor") when making decisions. For students, this could mean basing their perception of acceptable spending on an initial high price point, leading to overspending. For example, if the first laptop a student considers is expensive, they may perceive subsequent, slightly less expensive options as reasonable, even if they are still beyond their budget.

Mitigation Strategies: Addressing these cognitive biases involves several strategies:

1. **Financial Education**: Integrating comprehensive financial literacy programs into educational curricula can equip students with the knowledge to recognize and counteract biases.
2. **Mindful Decision-Making**: Encouraging students to pause and reflect before making financial choices can help mitigate impulsive behaviors driven by present bias.
3. **Setting Long-Term Goals**: Assisting students in establishing clear, long-term financial objectives can reduce the allure of immediate rewards and promote disciplined saving and investing habits.
4. **Seeking Diverse Perspectives**: Consulting with financial advisors or utilizing decision-making tools can provide alternative viewpoints, helping to counteract overconfidence and herd mentality biases.

By understanding and addressing these cognitive biases, students can make more informed and rational financial decisions, laying the foundation for a secure financial future.

Research Methodology

This study employed a quantitative research design to assess the level of financial literacy and saving behavior among secondary and higher secondary school students. The quantitative approach was chosen as it allows the collection of measurable and numerical data, which can be statistically analyzed to identify patterns and relationships. The research was carried out in March 2025, targeting students from secondary and higher secondary schools in Delhi. A stratified random sampling technique was used to ensure that students were selected from various schools, resulting in a diverse and representative sample. A total of 300 students participated in the study.

Data was collected using a self-constructed structured questionnaire designed to gather authentic and unbiased responses. The questionnaire included multiple-choice questions related to financial knowledge and saving behavior. It was distributed using email (mailing method) to ensure broader participation and better response rates. The questionnaire was shared via the following link: https://forms.gle/6uTGFASN5j1WucCv9.

Before data collection, ethical approval was obtained, and informed consent was collected from all participants to ensure voluntary participation and confidentiality.

The collected data were analyzed using SPSS (Statistical Package for the Social Sciences). Correlation analysis was conducted to explore the relationships between financial literacy and saving behavior among the students.

One limitation of this study is that data were collected only during a single month (March 2025), which restricts the study's ability to observe changes or trends in behavior over a longer time frame.

Results and Analysis

This section presents the findings from the survey conducted among 300 secondary and higher secondary school students in Delhi. The data was collected using a self-developed questionnaire and analyzed using SPSS. Correlation analysis was applied to understand the relationship between financial literacy and saving behavior.

Participation Trends

The participation data for the survey reflects responses collected exclusively in March 2025, totaling 300 students. While this provides a strong snapshot of student engagement with the topic during the month, the lack of data from other months or years restricts our ability to identify temporal trends or analyze changes in participation over time. Future studies with longitudinal data would allow a deeper understanding of seasonal patterns and long-term changes in interest and awareness.

Influence of Financial Information Sources on Literacy Scores

An attempt was made to evaluate how different sources of financial knowledge, such as parents, teachers, the internet, and peers, impact students' financial literacy scores. The data was grouped and averaged across class levels and information sources. However, all recorded scores were uniformly zero, leading to a lack of variance and null correlation results. This suggests that the source of financial education to students does not impact the financial literacy levels and saving habits of the students.

Financial Management Education by Class Level

The survey evaluated how financial management education is distributed across class levels. The responses were categorized as "Yes," "No," or "Maybe" to indicate whether students had received any financial education in their current classes. Classes X and XII had the highest number of students reporting exposure to financial education, with 80 and 74 students, respectively. In contrast, classes VI to IX reported minimal exposure, with only a few students indicating familiarity with money management concepts. This demonstrates a clear gap in early financial education, highlighting the need for integrating basic financial literacy into the lower grade curriculum.

Correlation Between Confidence and Financial Education

To understand the link between financial confidence and financial education, correlations were drawn between students' responses to confidence-related questions and their exposure to financial concepts in school. While the correlation coefficients were weakly positive (ranging from 0.12 to 0.20), they still suggest that exposure to structured financial education has a small but notable impact on students' confidence in handling money-related tasks. These findings imply that even minimal exposure to financial literacy lessons can begin to build students' confidence, though other factors like family environment or real-life experience may also play a role. Not only education from teachers, the internet, or peers, but also financial exposure from parents and other persons plays a very important role in building the confidence of students for making independent financial decisions. According to figs. 1, 2, and 3, financial literacy—particularly through formal education and textbook use—plays a positive role in shaping fund management confidence among Indian secondary school students. The data reveal that while students are generally interested in managing money and even starting their businesses, targeted educational interventions can enhance their understanding and practical abilities. The growing use of bank accounts, debit cards, and financial apps among students supports early engagement with money management.

Variation in Financial Literacy Education Across Schools

The extent of financial literacy education varies significantly across schools. Some institutions demonstrated high engagement, with 100% of students reporting lessons on money matters, while others had little to no financial education at all. On average, about 60.68% of students reported learning about money and exploring needs vs. wants, and 50.89% of students used textbooks discussing money matters. However, more advanced topics like stock market investments were less commonly taught (average 38.10%). This inconsistency suggests the absence of a standardized curriculum for financial education across schools, showing the need for policy-level intervention. This shows that the education policies of the country need to be modified to increase the level of financial literacy of its youth.

Awareness of Financial Terms

Awareness levels of specific financial terms among students varied greatly. Students showed high awareness of basic terms like "compound interest" (71%) and "interest payment" (68%). However, awareness dropped significantly for more advanced or abstract terms like "credit default swap" (22%) and "pension plan" (34%). These results suggest that while students are familiar with foundational financial concepts, there is a lack of exposure to broader financial instruments and systems. This gap presents a clear opportunity for curriculum enrichment.

Internet Usage for Financial Learning by Class

The internet serves as a major source of financial information for many students, though its usage varies by class level. Class IX had the highest usage (100%), while Class VI had the lowest (40%). The trend suggests that older students are more likely to seek financial knowledge online, possibly due to better digital literacy or greater academic requirements. These insights indicate a growing role of digital platforms in financial learning and the need to ensure younger students are safely guided in their online learning journeys.

Students' Confidence in Spending Decisions

Out of 300 students, 173 (approximately 57.67%) reported that they feel confident in making their own spending decisions. Even though all students are exposed to financial education, only a slight majority of students perceive themselves as capable of managing personal expenses, although this does not necessarily reflect actual competence. This perceived independence could stem from personal experience, informal learning, or a growing interest in financial topics among youth.

Overall Insights

The findings from this study present a mixed picture. While students are gaining some exposure to financial concepts, especially in higher classes and through the internet, the lack of a consistent curriculum highlights areas for significant improvement. The data suggests that confidence in handling money correlates positively, though weakly, with financial education, emphasizing the importance of structured and age-appropriate financial instruction. To ensure broader impact, schools should consider introducing financial literacy earlier, standardizing content, and leveraging technology to support learning.

Discussion

This study aimed to explore the level of financial literacy and saving behavior among school students in India and examine how different factors, such as financial education and sources of information, influence their confidence and knowledge.

The distribution of financial management education across different class levels is

Classes X and XII have the highest number of students who have had exposure to financial management, with 80 out of 127 and 74 out of 135 students from these classes. Classes VI to IX have significantly fewer students who have had exposure to financial management, with the highest being 5 students in classes VI and VII. Thus, the level of financial literacy among higher secondary school students is higher than the level of financial literacy among secondary school students. Classes X and XII show a higher engagement in financial management education, suggesting that such education might be more prevalent or emphasized in higher classes. There is a noticeable gap in financial management education in classes VI to IX, indicating potential areas for curriculum development or extracurricular activities to enhance financial literacy at earlier stages.

The relation between students' confidence in handling money-related tasks and their exposure to money management education in school is

Overall, there is a weak positive correlation between students' confidence in handling money-related tasks and their exposure to money management education in school. While exposure to money management education has a positive impact on confidence, the correlation is not strong, suggesting other factors may also play a significant role in building confidence. The data suggests that exposure to structured financial education has a small but notable impact on students' confidence in handling money-related tasks. Fig. 1 represents the number of students who feel confident about performing specific financial tasks such as making transfers, reading bank statements, and planning spending. Confidence varies across tasks but is highest in basic activities. Figure 2 scatterplot shows a positive association between exposure to financial textbooks and confidence in making money transfers. Students who used textbooks tended to report higher confidence levels. Figure 3 displays correlations between textbook use and confidence across financial domains. Positive correlations suggest that financial literacy education contributes to higher self-reported confidence. According to figs. 1, 2, and 3, financial literacy—particularly through formal education and textbook use—plays a positive role in shaping fund management confidence among Indian secondary school students. The data reveal that while students are generally interested in managing money and even starting their businesses, targeted educational interventions can enhance their understanding and practical abilities. The growing use of bank accounts, debit cards, and financial apps among students supports early engagement with money management.

The use of the internet for financial education varies with class levels-

Class IX has the highest proportion of students using the internet for financial information at 100%. A significant proportion, 83.33%, of students from class VI use the internet for financial information. Class VII has the lowest proportion, with only 40% of students using the internet for financial information. In class XI, 56.25% of students use the internet for financial information, and in class XII, 75.56% of students use the internet for financial information. The trend suggests that older students are more likely to seek financial knowledge online, possibly due to better digital literacy or greater academic requirements.

The key sources of financial knowledge for school students are

According to Fig. 4, about 89.67% of students have responded that they get information about money matters from their parents, while only 10.33% of students responded that they do not receive information about money matters from their parents. Only 40% of students receive financial education from their teachers, and 36.67% of students receive financial information from their friends. 74% of students receive financial information from the internet. The data suggests that parents and the internet are the most key sources of financial information for students, followed by teachers and friends. This shows that the curriculum of Indian schools should be modified to focus more on financial education so that more students receive financial information from their teachers. This would, in turn, increase their level of financial literacy, and the students will be more confident in being financially independent and performing financial tasks independently.

According to Fig. 5, about 66.7% of students feel confident that they can make money transfers (such as paying a bill) independently. About 50% (approximately) of students believe that they can fill out forms at the bank and understand bank statements. 54.33% of students feel confident about budgeting and planning their expenses, considering their financial situations, and 58% of students believe that they can keep track of their account balance. Only 38.34% of students believe that they can understand sales contracts. 33.34% of students feel that money matters are irrelevant to them at this time, and 56% of students believe that young students like them should make their own financial spending decisions. Out of 300 students, 173 (approximately 57.67%) reported that they feel confident in making their own spending decisions. This shows that a significant proportion of students feel confident that they can be financially independent. However, this is not true. The data reveals that a majority of students are aware of financial terms like compound interest and interest payments, but only a small proportion of students (about 25-30%) are aware of terms like pension plan and credit default swap. This shows that the majority of the students are not properly educated about finance to the point that they can be financially independent. This statement is supported by Jayaraman, J. D., & Jambunathan, S. (2018), who have stated that financial literacy among high school students in India is notably low, with an overall literacy rate of 44%, and that Indian students scored moderately in areas such as compound interest, investing, borrowing, and insurance but struggled with more complex topics like mutual funds and asset return fluctuations.

Conclusions

This research paper set out to examine the level of financial literacy and saving behavior among secondary and higher secondary Indian school students, with a particular focus on the impact of financial education, sources of information, and the confidence of the students to be financially independent. Through a quantitative study conducted in March 2025 involving 300 students from secondary and higher secondary classes in Delhi, valuable insights were gained into students' exposure to financial knowledge and their confidence in handling money-related tasks.

The findings indicate that while most students reported being introduced to financial concepts through school education, parents, or the internet, only about 57.67% of students were confident of being financially independent, highlighting a significant gap between perceived and actual understanding. Higher classes (X and XII) showed greater engagement with financial management education, suggesting that exposure improves with academic level. However, students in lower classes were found to have minimal interaction with financial education content, underlining the need for early interventions.

Interestingly, over 57% of students expressed confidence in managing their spending independently, and moderate positive correlations were found between confidence and exposure to money-related topics in school. This points to the potential of financial education in building self-reliance, even if knowledge remains limited. Students demonstrated better awareness of basic financial terms such as "interest payment" and "compound interest," but struggled with more complex terms like "credit default swap" and "pension plan," indicating that curriculum content may need to be expanded and deepened.

The study also found notable variations across schools in terms of financial education coverage, with some schools offering comprehensive instruction while others lacked basic financial topics. Use of the internet as a source of financial information also varied significantly by class level, with older students generally showing higher usage.

Despite these insights, the study faced some limitations, including data limited to a single month, which constrained longitudinal analysis, and data from schools in India, which were situated in one particular state (Delhi). Nevertheless, the research highlights the urgent need to improve the quality and reach of financial education in schools.

In conclusion, financial literacy among students remains an area of concern, and while confidence in handling money is growing, it must be supported by actual financial knowledge. Policymakers and educators should consider integrating interactive, practical financial education from an early stage, ensuring it is inclusive and accessible across all schools. Schools should undertake to shift the students' behaviours from learning texts to understanding crucial concepts and implementing them in real-life situations. Further research is recommended to track progress over time and identify the most effective teaching methods to foster financially responsible future citizens.

Limitations

This study has certain limitations-

1. Limited Time Frame:

The data for this research were collected only during March 2025. As a result, the findings reflect a single point in time and do not capture variations or trends in financial literacy over a longer period. A more extended data collection period would provide a better understanding of seasonal or longitudinal changes in student behavior and awareness.

2. Geographical and Demographic Scope:

The study focused solely on students from schools within Delhi, which may not fully represent the diverse educational, cultural, and socioeconomic backgrounds present in other parts of India. The results, therefore, cannot be generalized to the national level without additional research.

3. Reliance on Self-Reported Data:

The study depended on self-reported data through structured questionnaires, which may be subject to response bias. Students might have overestimated their confidence or understanding of financial concepts, leading to a gap between perceived and actual knowledge.

4. Limited Sources of Financial Literacy Assessment:

The study assessed financial literacy through a limited set of indicators and questions, and the questionnaire was limited in length so that the students could respond to the questionnaire without feeling that filling out the questionnaire was an inconvenience or too much of a hassle. A broader range of questions and assessment tools might have provided a more comprehensive understanding of students' financial knowledge.

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Appendix

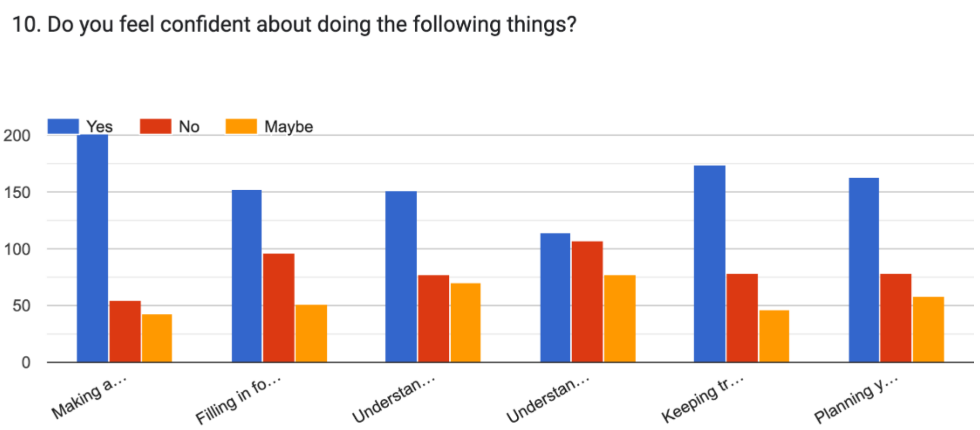

Fig. 1

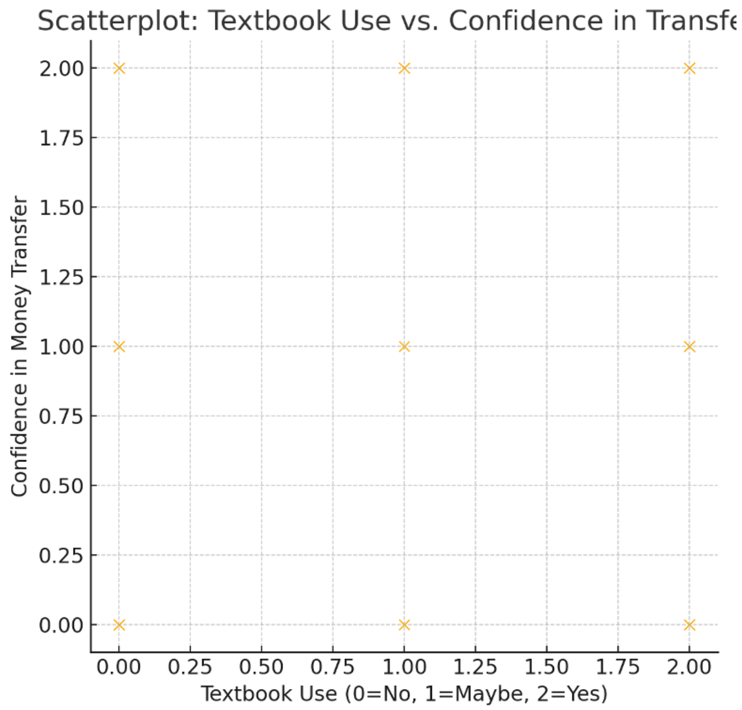
Scatterplot: Textbook Use vs. Confidence in Transfe
Confidence in Money Transfer
Textbook Use (0=No, 1=Maybe, 2=Yes)

Fig. 2

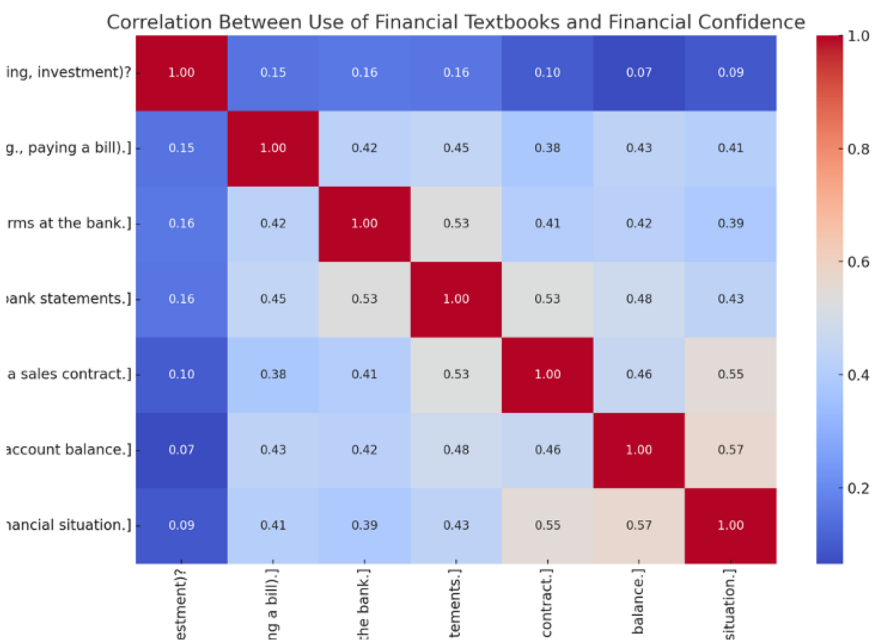
Correlation Between Use of Financial Textbooks and Financial Confidence

Fig. 3

4. Do you get the information you need about money matters (such as spending, saving, banking, investment)?

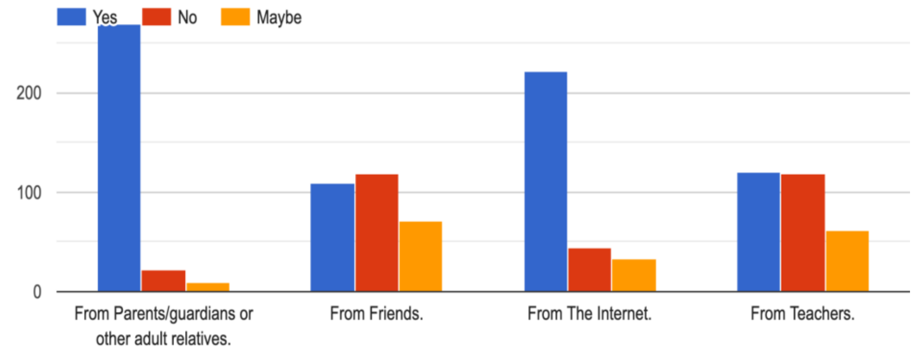

Fig. 4

10. Do you feel confident about doing the following things?

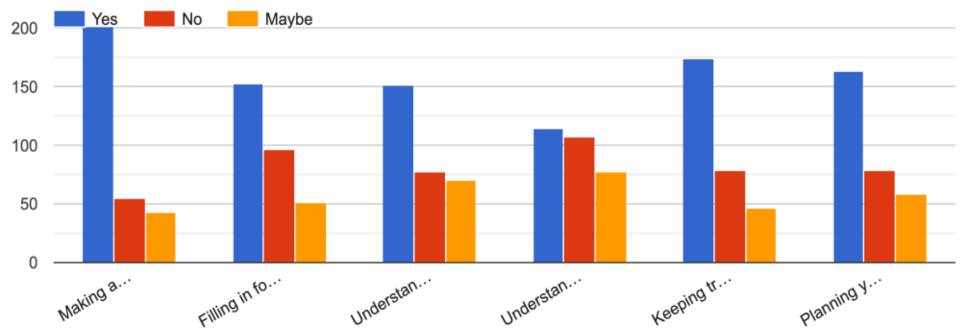

Fig. 5