



A Study to Explore the Impact of Financial Literacy on the Financial Decisions of Employed Individuals from Commerce and Management Backgrounds in Mumbai

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ABSTRACT

Today, while many people are aware of various financial products, only a few include them in their investment portfolios. This study seeks to evaluate the financial literacy levels among individuals with commerce and management backgrounds in Mumbai. Additionally, it aims to examine the correlation between financial literacy and wise financial decisions among the respondents. As the financial landscape becomes more complex, the importance of making informed decisions grows. Through surveys and data analysis, we aim to identify the relationship between financial literacy levels and the effectiveness of financial choices, providing valuable insights for both individuals and policymakers. The findings of this research have the potential to shape educational programs, government initiatives, and financial planning strategies aimed at enhancing financial literacy in the target group. Ultimately, the study seeks to uncover the relationship between financial literacy and decision-making, providing practical insights for real-world applications.

Keywords: *Investment Behavior, Financial Literacy Assessment, Decision-Making, Data Analysis, Educational Interventions, Financial Planning, Sustainability.*

1. INTRODUCTION

In the bustling economic hub of Mumbai, where commerce and management professionals thrive in a dynamic and competitive environment, the importance of financial literacy cannot be overstated. Employed individuals in these sectors are tasked with making critical financial decisions on a daily basis, ranging from managing personal budgets to evaluating investment opportunities and navigating the complexities of financial markets. However, the level of financial literacy among this demographic remains an intriguing area of study, with implications that extend far beyond individual financial well-being.

Financial literacy, often defined as the ability to understand and effectively utilize various financial concepts and tools, serves as a cornerstone for sound financial decision-making. It empowers individuals to assess risks, weigh options, and make informed choices that align with their financial goals and aspirations. For professionals in commerce and management fields, where financial acumen is highly valued, possessing a strong foundation in financial literacy can be a key determinant of success and resilience in the face of economic uncertainties.



Despite its evident importance, there exists a gap in understanding how financial literacy influences decision-making behaviors among employed individuals in Mumbai's commerce and management sectors. While some may possess a solid grasp of financial principles acquired through formal education or professional experience, others may lack the necessary knowledge and skills to navigate the intricacies of personal finance effectively. This discrepancy in financial literacy levels can have profound implications for individuals' financial well-being, career advancement, and overall economic stability.

Furthermore, by identifying potential barriers to financial literacy and decision-making, such as access to resources, educational opportunities, and cultural factors, this research seeks to inform targeted interventions aimed at enhancing financial literacy and promoting sound financial decision-making among employed individuals in Mumbai. Ultimately, the findings of this study have the potential to not only benefit individuals by empowering them to make better financial choices but also contribute to the broader economic resilience and prosperity of the region.

2. REVIEW OF LITERATURE

Financial literacy and its impact on financial decision-making have been extensively studied in the literature. Lusardi and Mitchell (2014) conducted a comprehensive review, highlighting the importance of financial literacy in facilitating informed financial decisions. Their analysis revealed a positive association between higher levels of financial literacy and various desirable financial behaviors, such as retirement planning and investment management. However, they also emphasized the challenges in measuring financial literacy accurately and the necessity of targeted interventions to enhance financial education across diverse populations.

Further, Fernandes, Lynch Jr, and Netemeyer (2014) investigated the effectiveness of financial education programs in improving financial literacy and decision-making outcomes. Their review of intervention studies underscored the value of interactive and tailored approaches to financial education, which have been shown to increase financial knowledge and promote positive financial behaviors among participants. Building on this, Klapper, Lusardi, and Van Oudheusden (2015) explored the cultural influences on financial decision-making, emphasizing the need to consider cultural context when designing financial education interventions.

Policy approaches to promoting financial literacy have also been scrutinized in the literature. Atkinson and Messy (2012) assessed various policy initiatives and regulatory frameworks aimed at promoting financial inclusion through education and access to resources. They highlighted the role of government agencies, financial institutions, and non-profit organizations in delivering effective financial education programs.

Moreover, Díaz-García, González-Meneses, and García-Muñoz (2020) provided a critical evaluation of traditional financial education models, emphasizing their limitations in



addressing the complex needs of diverse populations. They argued for alternative educational models that prioritize critical thinking, social justice, and empowerment in the context of financial decision-making.

Financial literacy is described as "possessing the skills and knowledge on financial affairs to confidently take effective action that best fulfils an individual's personal, family, and global community goals" by the National Financial Educators (Council, 2018).

An individual is considered financially literate when they have a thorough comprehension of ideas like inflation, risk diversification, and interest rates, according to earlier academics (Normawati, Rahayu, & Worokinasih, 2021).

How someone acts with regard to their finances is influenced by their financial mindset. Additionally, it has an impact on their financial understanding because their attitude will determine how they interpret the data put in front of them (Panga, Malpani, & Malpani, 2018).

3. OBJECTIVES

1. To analyse why individuals, continue to invest in specific options despite being knowledgeable about a wider array of alternatives.
2. Additionally, it aims to examine the correlation between financial literacy and wise financial decisions among the respondents.

4. RESEARCH METHODOLOGY

This section outlines the methodology employed to investigate the impact of financial literacy on financial decision-making among employed individuals with commerce and management backgrounds in Mumbai. A mixed-methods approach was used to gather both quantitative and qualitative data from 108 individuals which provided a comprehensive understanding of the research topic.

Quantitative Survey

A structured questionnaire was prepared to collect quantitative and qualitative data on financial literacy levels, demographics, and financial decision-making behaviors of the working individuals with commerce and management backgrounds in Mumbai. The survey consisted of multiple-choice questions and Likert-scale items, which covered various aspects of financial knowledge, including budgeting, investing, and financial management. Demographic information such as age, income level and employment sector was also collected. Convenience sampling was used for the selection of respondents.

Data Collection



The survey was administered to employed individuals in Mumbai using multiple channels, including online platforms and workplace distributions. Participation was voluntary, and respondents were assured of anonymity and confidentiality. Data collection was conducted over a specified period to ensure a sufficient sample size for analysis.

Ethical Considerations

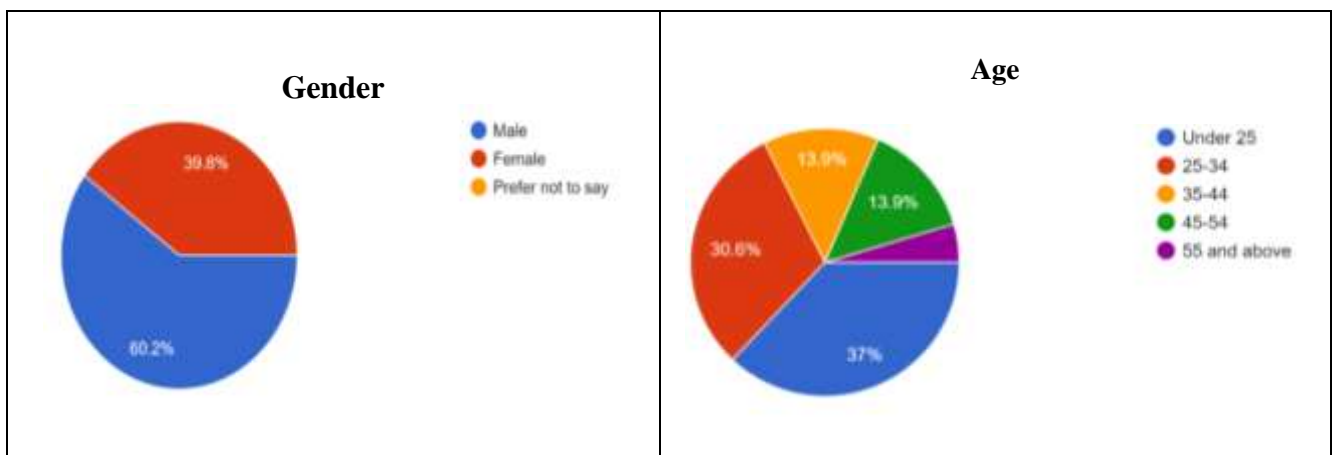
Ethical standards were maintained throughout the research process, including obtaining informed consent from participants, protecting their privacy and confidentiality, and adhering to ethical guidelines for research involving human subjects.

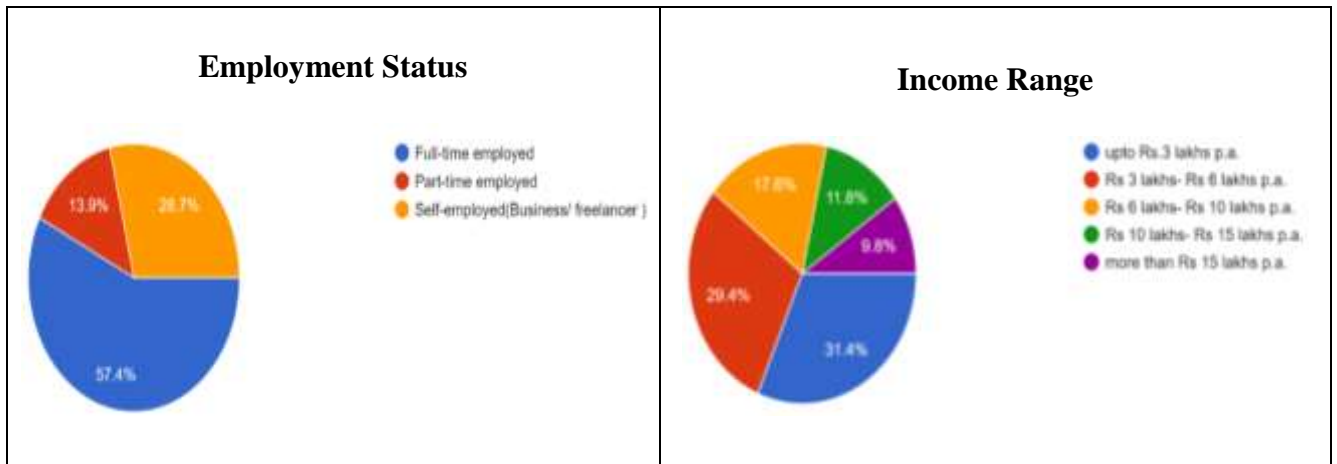
This mixed-methods approach facilitated a thorough exploration of the relationship between financial literacy and decision-making among employed individuals with commerce and management backgrounds in Mumbai, offering valuable insights for the research.

5. FINDINGS

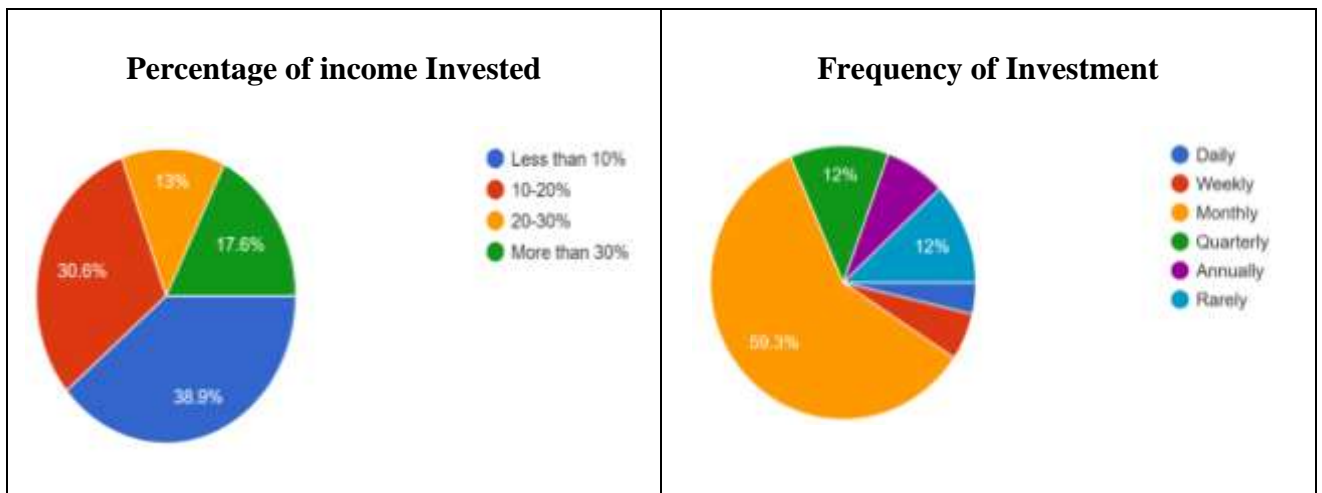
Quantitative data collected from 108 respondents through the survey was analysed using statistical techniques such as descriptive statistics and correlation analysis. In addition to the survey, qualitative interviews were conducted with a subset of participants to gain deeper insights into their experiences, perceptions, and challenges related to financial literacy and decision-making.

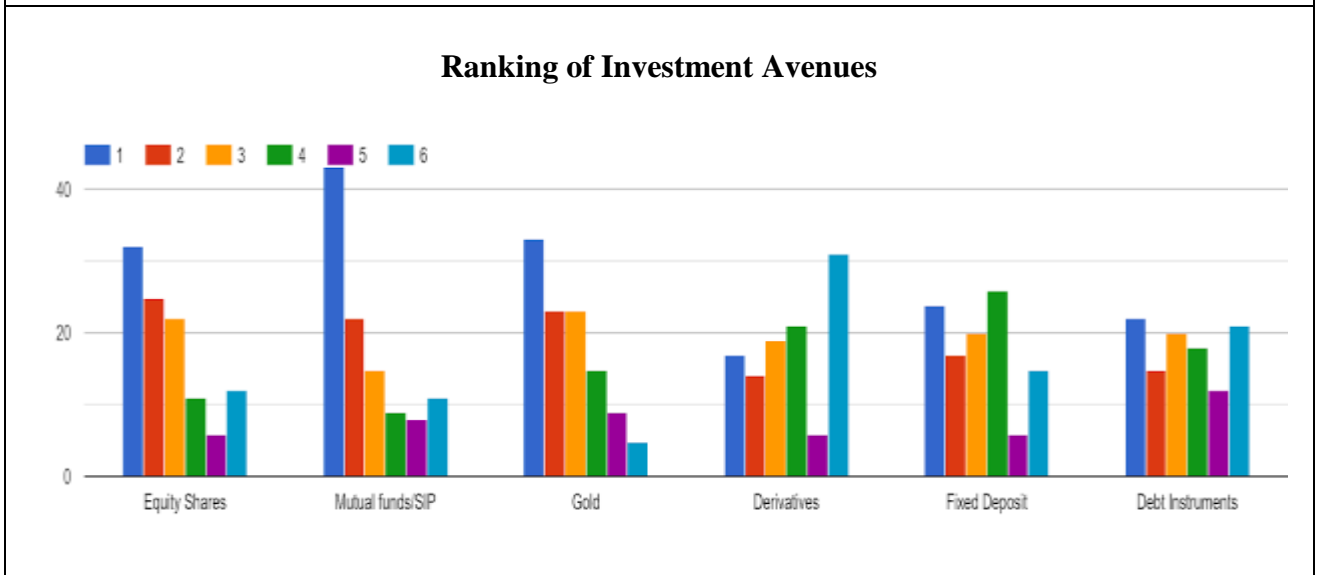
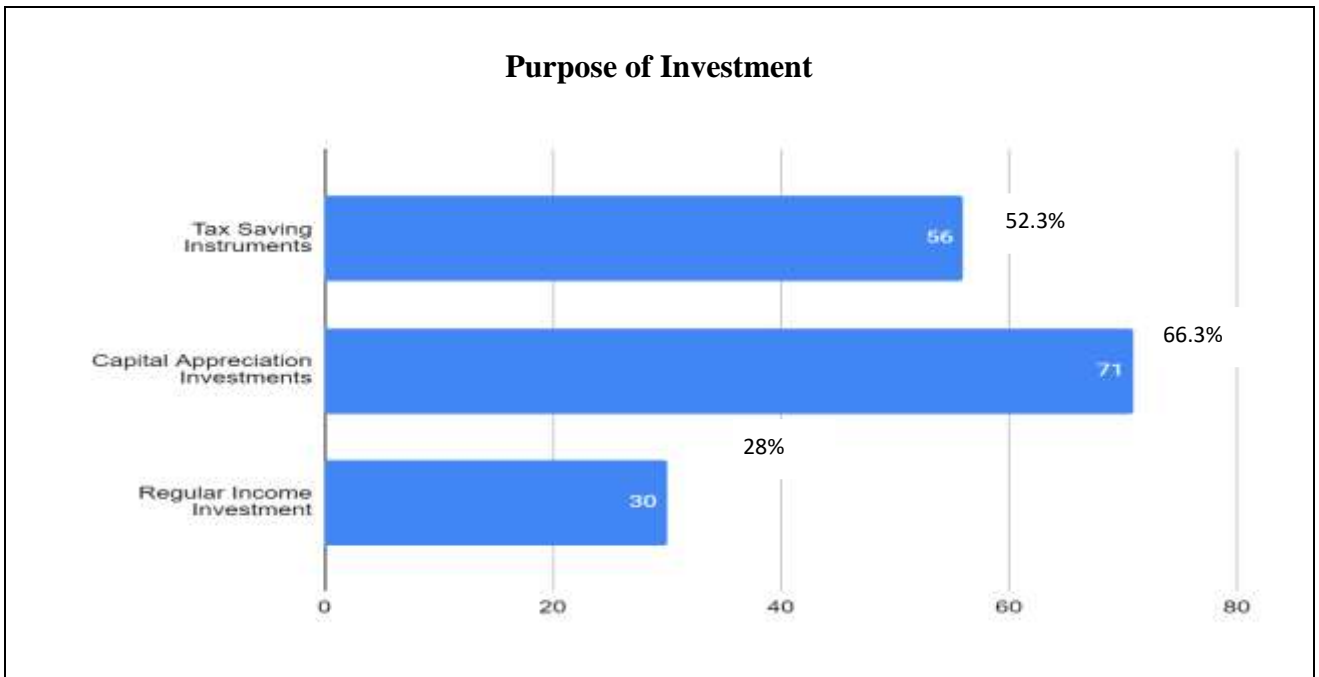
Demographic Profile of Respondents-





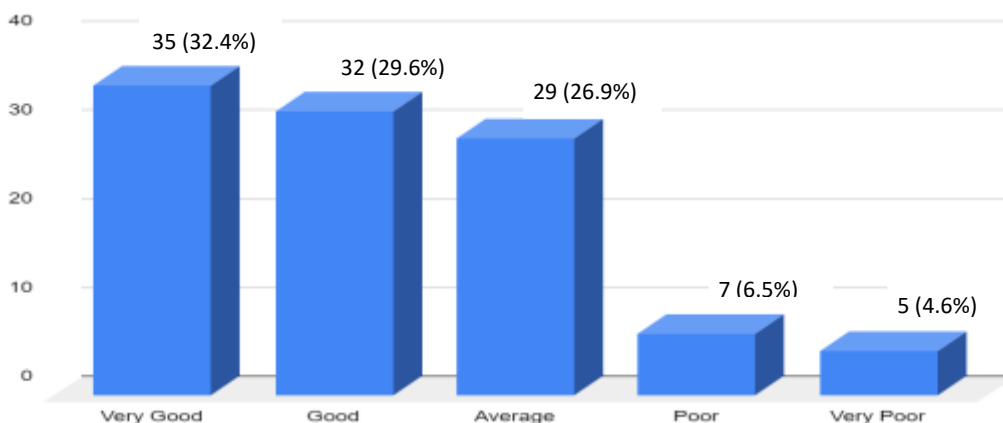
Nature of Investment Choices of the respondents-



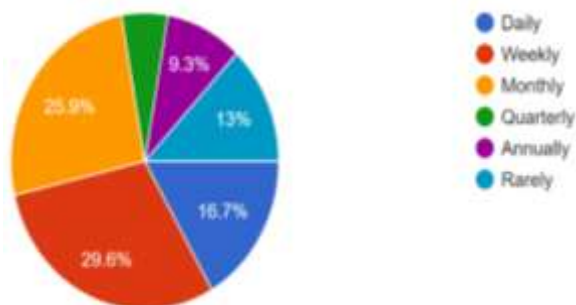


Financial Literacy among respondents-

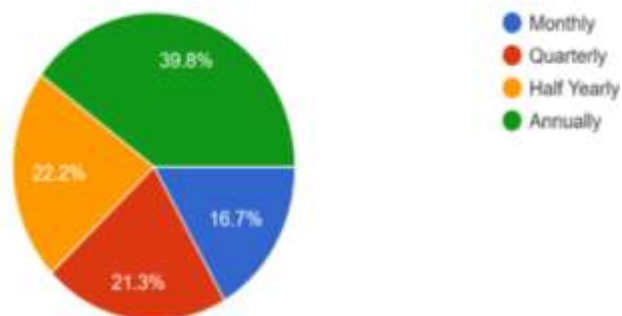
Understanding of Financial Concepts and Terms



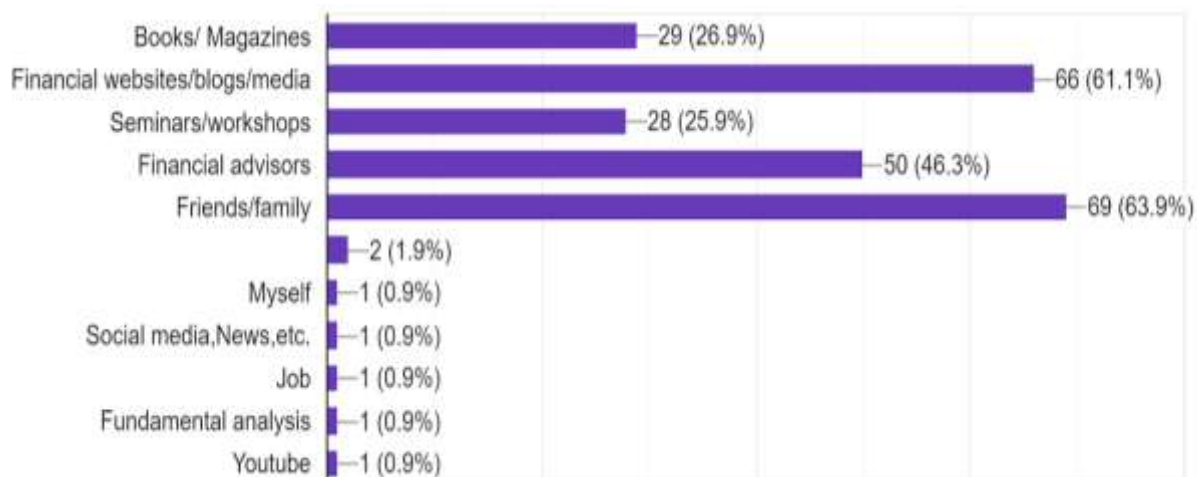
Tracking of Investments



Shuffling & Re-shuffling of Investments

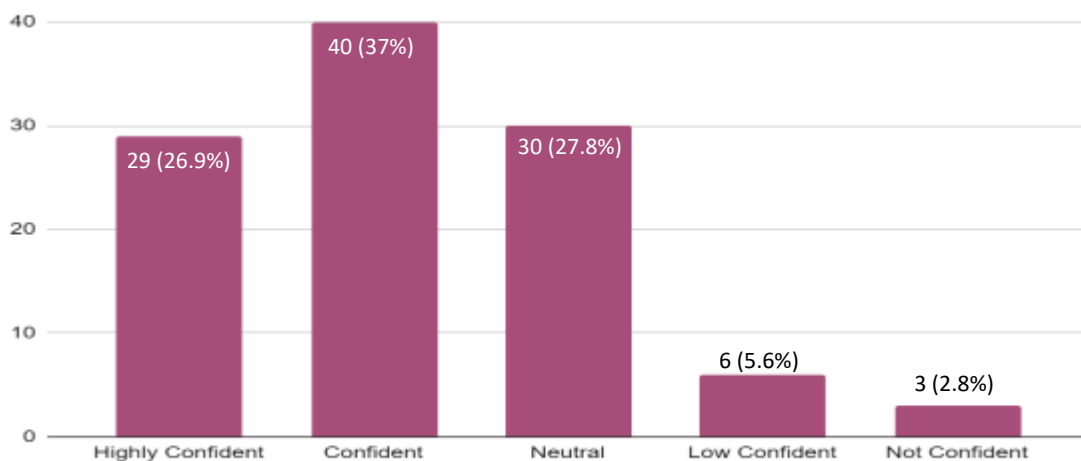


Sources of keeping oneself updated about Investments

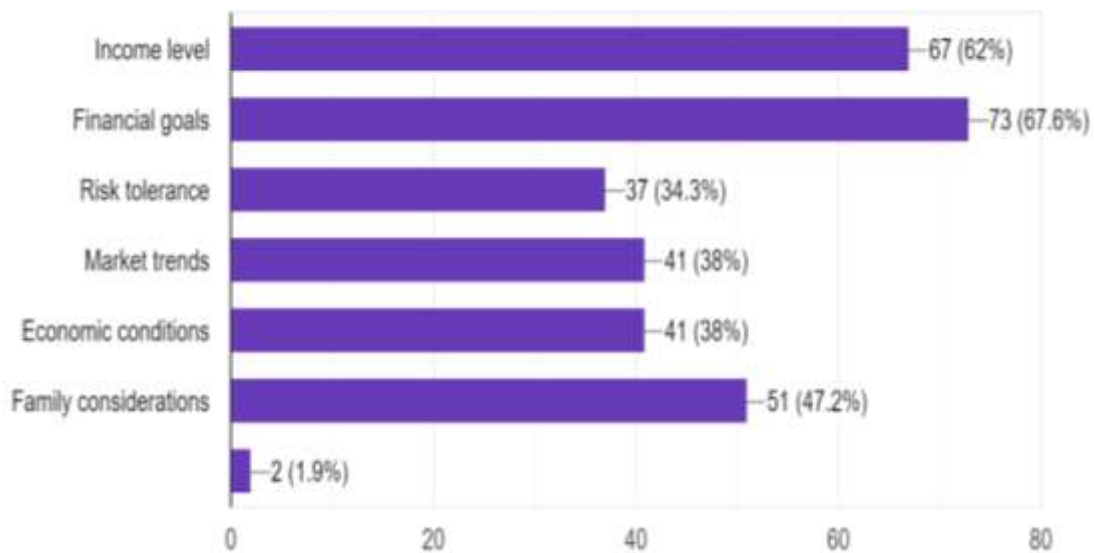


Financial Decisions of the respondents-

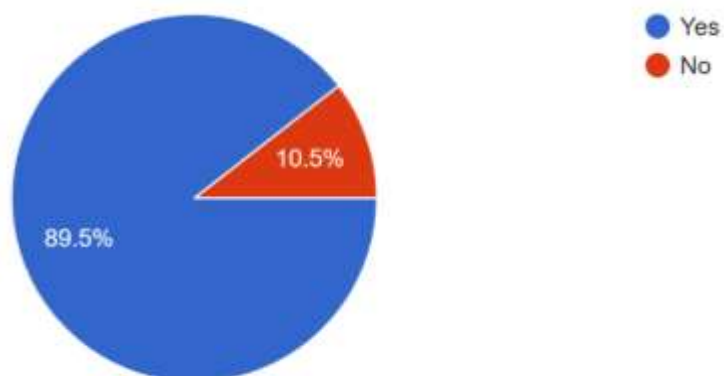
Confidence about Financial Decisions



Factors Influencing Financial Decision-Making Process

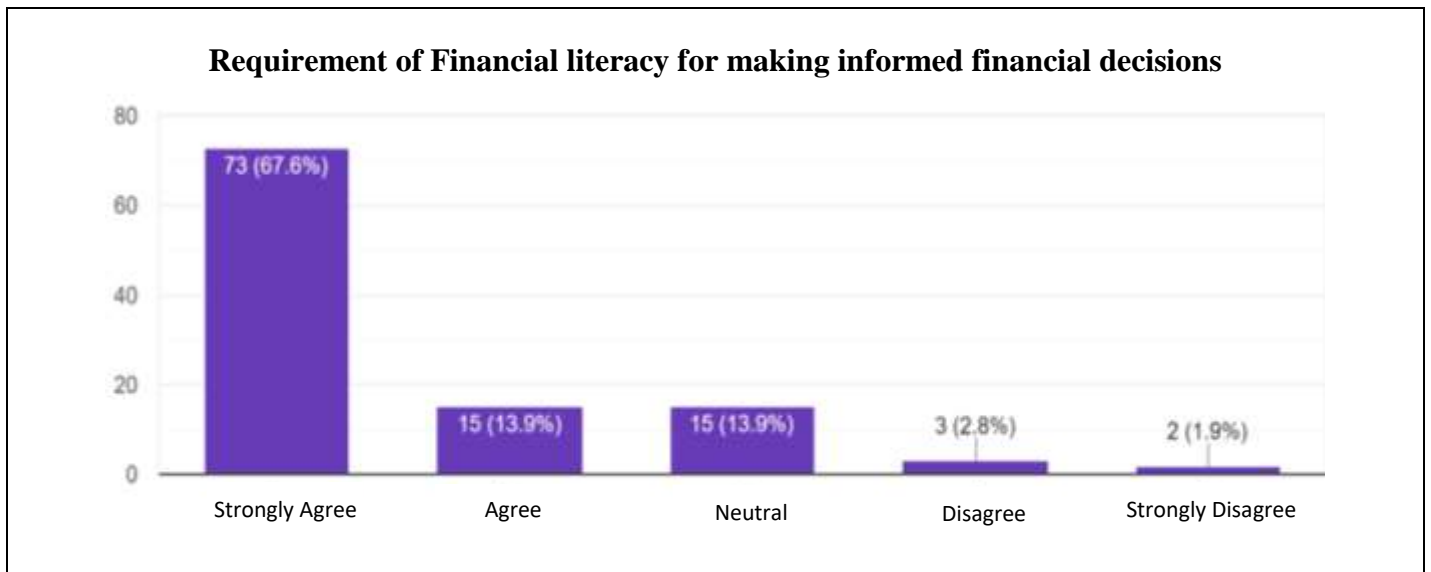


Likelihood of alteration of the investment portfolio in future





Respondent's view on financial literacy requirement for making informed financial decisions-



6. DATA ANALYSIS & INTERPRETATION

In order to find the answers of our second objective, correlation analysis was conducted to examine the relationship between financial literacy levels and financial decision-making behaviors among the respondents. Karl Pearson's coefficient of correlation were calculated to assess the strength and association between the variables of interest.

Table 1- Correlation between Financial literacy and its requirement for making informed financial decisions

Levels of Financial Literacy (X)	Requirement of Financial Literacy for making informed financial decisions (Y)
35	73
31	15
29	15
7	3
5	2

Calculation

$$\bar{x} = \frac{\sum X}{N} \quad \bar{x} = \frac{35+31+29+7+5}{5} = 21.4$$

$$\bar{y} = \frac{\sum Y}{N} \quad \bar{y} = \frac{73+15+15+3+2}{5} = 21.6$$



$$r = \frac{\Sigma(x_i - \bar{x})(y_i - \bar{y})}{\sqrt{(\Sigma(x_i - \bar{x})^2 \Sigma(y_i - \bar{y})^2)}}$$

$$\Sigma(x_i - \bar{x})^2 = (35-21.4)^2+(31-21.4)^2+(29-21.4)^2+(7-21.4)^2+(5-21.4)^2 = 811.2$$

$$\Sigma(y_i - \bar{y})^2 = (73-21.6)^2+(15-21.6)^2+(15-21.6)^2+(3-21.6)^2+(2-21.6)^2 = 3459.2$$

$$\Sigma(x_i - \bar{x})(y_i - \bar{y}) = (35-21.4) \times (73-21.6)+(31-21.4) \times (15-21.6)+(29-21.4) \times (15-21.6)+ \\ (7-21.4) \times (3-21.6)+(5-21.4) \times (2-21.6) = 1174.8$$

$$r = \frac{1174.8}{\sqrt{(811.2 \times 3459.2)}} = 0.7013$$

Result- The calculated value of coefficient of correlation (r) is 0.7013. Hence, there is a significant positive relationship between Financial literacy and its requirement for making informed financial decisions.

Table 2- Correlation between Financial Literacy and Confidence in financial decisions

Levels of Financial Literacy (X)	Confidence in financial decisions (Y)
35	29
31	40
29	30
7	6
5	3

Calculation

$$\bar{x} = \frac{\Sigma X}{N} \quad \bar{x} = \frac{35+31+29+7+5}{5} = 21.4$$

$$\bar{y} = \frac{\Sigma Y}{N} \quad \bar{y} = \frac{29+40+30+6+3}{5} = 21.6$$

$$r = \frac{\Sigma(x_i - \bar{x})(y_i - \bar{y})}{\sqrt{(\Sigma(x_i - \bar{x})^2 \Sigma(y_i - \bar{y})^2)}}$$

$$\Sigma(x_i - \bar{x})^2 = (35-21.4)^2+(31-21.4)^2+(29-21.4)^2+(7-21.4)^2+(5-21.4)^2 = 811.2$$

$$\Sigma(y_i - \bar{y})^2 = (29-21.6)^2+(40-21.6)^2+(30-21.6)^2+(6-21.6)^2+(3-21.6)^2 = 1053.2$$

$$\Sigma(x_i - \bar{x})(y_i - \bar{y}) = (35-21.4) \times (29-21.6)+(31-21.4) \times (40-21.6)+(29-21.4) \times (30-21.6)+$$



$$r = \frac{870.8}{\sqrt{(811.2 \times 1053.2)}} = \mathbf{0.9421}$$

Result- The calculated value of coefficient of correlation (r) is 0.9421. Hence, there is a strong positive relationship between Financial Literacy and Confidence in financial decisions.

These results highlight the importance of financial literacy levels to make informed financial decisions. Hence, in order to equip individuals with the necessary knowledge and skills, organizations and policymakers can support financial well-being and economic resilience within the community through various measures like awareness campaigns, scrutinizing the emerging IPOs and brokers reliability as well as sustainability, reduce tax & bring tax saving schemes in new Income tax regime.

Key Findings

The findings revealed a significant positive correlation between financial literacy levels and proactive financial behaviors, indicating that individuals with higher financial literacy tend to make more informed decisions regarding budgeting, saving, investing, and debt management. Moreover, participants with greater financial knowledge demonstrated higher levels of confidence in managing their finances, highlighting the empowering effects of financial education.

Limitations of the study and Future Directions

It's essential to acknowledge the limitations of the study, as it focuses on a specific geographic region and demographic group. Future researchers could address these limitations by expanding the scope to include a more diverse population by employing longitudinal designs to assess the long-term impact of financial education interventions.

7. CONCLUSION

This study has provided valuable insights into the relationship between financial literacy and decision-making behaviors among employed individuals with commerce and management backgrounds in Mumbai. Through a mixed-methods approach encompassing quantitative surveys and qualitative interviews, the study has shed light on the factors influencing financial literacy levels and decision-making processes within the community.

Implications

These findings have important implications for policymakers, employers, educational institutions, and community organizations seeking to promote financial literacy and improve financial decision-making outcomes among employed individuals in Mumbai. By implementing targeted financial education interventions, providing accessible resources, and



fostering a supportive financial environment, stakeholders can empower individuals to achieve greater financial well-being and economic resilience.

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