

A Study Of Impact Of Financial Literacy On Financial Behaviour In Gujarat

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Abstract

Financial literacy has become increasingly important in today's modern economy, as individuals are required to make financial decisions related to savings, borrowing, investment, and future planning. In India, and particularly in Gujarat, the level of financial awareness among people differs widely due to variations in income, education level, and access to financial information. This study aims to examine the impact of financial literacy on financial behaviour among adults in Gujarat. Financial literacy in this study refers to basic financial knowledge regarding interest calculation, inflation, loans, financial products, budgeting, and investment planning. Financial behaviour includes real-life financial actions such as maintaining a budget, regular saving, responsible use of credit, investing money wisely, and using formal banking services. Primary data was collected from 300 respondents across different regions of Gujarat using a structured questionnaire. The study follows an exploratory research design. A correlation and regression analysis was carried out to assess the strength of association between financial literacy and financial behaviour. The results clearly indicate that individuals with higher levels of financial literacy tend to demonstrate better financial behaviour. Respondents who understood concepts like interest, inflation, and financial planning were found to save more regularly, use banking services more efficiently, and avoid unnecessary debt. The study concludes that improving financial literacy can significantly change the financial choices of people in Gujarat. It recommends the need for financial education programs at school, college, and community levels and increased awareness campaigns by financial institutions. Better financial understanding can help individuals achieve long-term financial stability and contribute to overall financial inclusion in the state.

Keywords: Financial literacy, Financial behaviour, Gujarat

Introduction

Financial decision-making has become an essential part of modern life. Individuals today are expected to manage their income, spending, borrowing, saving, and investment efficiently in order to achieve financial security and long-term stability. However, the ability to make informed and responsible financial decisions depends largely on the level of financial literacy an individual possesses. Financial literacy refers to the understanding of basic financial concepts such as budgeting, interest rates, inflation, credit, loans, insurance, banking services, investment avenues, and retirement planning. It is the foundation that enables individuals to process financial information, evaluate available alternatives, and choose actions that are in their best economic interest. In the Indian context, financial literacy has gained significant

attention in recent years, especially with the government's focus on financial inclusion, digital banking, and encouraging citizens to participate in formal financial systems.

Gujarat, one of India's most industrially developed states, has witnessed rapid economic growth, increasing employment opportunities, and expanding access to financial services. Despite this progress, the level of financial literacy among the general population remains uneven. While urban populations may have better access to formal financial institutions and financial information, many people in semi-urban and rural areas still lack adequate financial knowledge. Individuals may possess bank accounts but may not fully understand how to leverage banking services for savings, investment, or long-term planning. Similarly, while various financial instruments like SIPs, mutual funds, insurance, digital wallets, and government schemes are available, adoption remains limited because many people are not confident or knowledgeable enough to use them effectively.

Financial behaviour refers to the actual financial actions taken by individuals in their daily lives, such as saving regularly, avoiding unnecessary debt, comparing loan options, investing surplus income, maintaining a family budget, and planning for future needs. Research has shown that financial literacy has a powerful influence on behaviour. Individuals who understand financial concepts are more likely to save consistently, invest wisely, and avoid costly financial mistakes. Conversely, low financial literacy often results in poor financial decisions, impulse spending, lack of long-term planning, and dependence on informal credit sources.

In Gujarat, financial behaviour varies across age groups, income levels, education backgrounds, and geographical locations. Younger generations may be more exposed to digital banking and online financial tools, while older individuals may rely on traditional savings practices. Similarly, people with higher education or stable income often show better financial management practices than those with limited financial resources or knowledge. Understanding these patterns is essential for designing targeted financial awareness programs. This study aims to examine the impact of financial literacy on financial behaviour among individuals in Gujarat based on primary data collected from 300 respondents. By using correlation and regression analysis, the study seeks to determine whether financial literacy significantly influences financial actions and decisions in real life. The findings of the study will help policymakers, educational institutions, financial service providers, and community organisations to develop effective training programmes and awareness campaigns. Enhancing financial literacy can not only improve the financial well-being of individuals but also contribute to stronger household stability, reduced financial stress, and enhanced economic participation across Gujarat.

Literature Review

Agarwalla, Barua, Jacob and Varma (2015) studied the financial literacy and financial behaviour of young working adults in India to understand how knowledge shapes financial decisions. Using primary survey data and regression analysis, the authors found that financial literacy levels were lower than expected, although respondents still demonstrated moderately positive financial behaviours such as budgeting and saving. Family background and shared decision-making played an important role in shaping financial practices. The study concluded that financial education programs should not only target individuals but also households to strengthen long-term behavioural outcomes and improve India's financial capability levels.

Gangwar and Singh (2018) examined demographic differences in financial literacy across Indian adults and analyzed how financial knowledge influences investment behaviour. Based on primary data from 309 respondents and regression analysis, the study revealed that

education, income and occupation significantly affected financial literacy levels. However, the research found that the relationship between literacy and investment decisions was not very strong, showing that financial knowledge does not automatically translate into smarter financial actions. The authors argue that behavioural and market-related barriers such as lack of access, risk fear and insufficient product guidance might restrict individuals from applying their financial knowledge effectively.

Ninan and Kurian (2021) analyzed the financial literacy and financial behaviour of college students in Kerala to determine whether financial knowledge influences saving, planning and debt management. Using a structured questionnaire and statistical tools like correlation and regression, the study found a significant positive relationship between literacy and responsible money practices. Gender, stream of study and monthly income were also found to affect literacy levels. The authors suggested that integrating personal finance education into college curriculum could help students adopt good financial habits early and develop lifelong money management skills essential for financial security and responsible financial decision-making.

Ravikumar (2019) expanded the scope of financial behaviour research by studying digital financial literacy and its effect on safe and effective usage of digital financial services in India. Primary data was analyzed using descriptive and regression tools, showing that digital literacy remained low, especially among older and low-income individuals. Lack of digital knowledge increased the chances of mistakes, fraud, and fear while conducting digital transactions. The study recommended that government and institutions should complement financial inclusion programs with digital awareness campaigns so that increased access to digital platforms is translated into safe, confident and meaningful participation in modern financial systems.

Dash and Ranjan (2020) conducted a cross-state comparative analysis to measure variations in financial literacy across Indian states and evaluate how these variations affect saving and investment behaviour. Using large-scale secondary data and statistical comparisons, the study found major regional differences in literacy levels, with states having higher literacy also displaying stronger participation in banking, formal saving and investment products. The authors concluded that national-level financial policies alone are not sufficient, as state-level socio-economic environments differ widely. Therefore, region-specific financial education and improved financial infrastructure are required to improve financial behaviour and ensure inclusive financial development across India.

Gade, Kumar and Goli (2022) studied how financial literacy and financial attitudes influence saving and investment behaviour among Indian households. Based on survey data and regression analysis, the authors found that financial literacy significantly predicted positive saving and investment decisions, while attitudes and confidence partially mediated the relationship. Women were found to experience lower confidence despite having similar knowledge levels, indicating psychological barriers to financial participation. The study emphasized that financial education programs should focus not only on improving financial knowledge but also on behavioural support to ensure equal participation and meaningful financial decision-making across households.

Choudhary (2017) conducted a large-scale survey to evaluate financial literacy levels and their determinants among Indian adults using OECD-recommended assessment tools. Multivariate regression results showed that only a small proportion of respondents demonstrated strong financial knowledge, with education, income and age significantly influencing results. The author concluded that while improving financial literacy is crucial, knowledge alone may not create behavioural change unless citizens also have access to user-

friendly financial products, supportive infrastructure and guidance. Therefore, financial knowledge initiatives should be supported by practical access and simplified service delivery to promote long-term financial behaviour improvements and higher financial inclusion.

Objectives

1. To assess the level of financial awareness of respondents in Gujarat regarding various financial products and services.
2. To evaluate the financial literacy of respondents in terms of knowledge, attitudes, and competencies.
3. To analyze the financial behaviour of respondents in Gujarat based on budgeting, planning, decision-making, and financial management practices.

Rationale of the Study

The relevance of this study arises from the rapid expansion of financial products, digital payment systems, government financial inclusion schemes, and online banking services in Gujarat. Although financial access has widened, many residents still face challenges such as low financial awareness, limited understanding of financial concepts, difficulty in selecting suitable savings or investment options, and uncertainty in managing household finances. Assessing how financial literacy influences financial behaviour enables:

- Policymakers to design state-specific financial education initiatives
- Banks and financial institutions to tailor financial products according to consumer capability
- Educators and NGOs to strengthen financial knowledge programs
- Households to improve budgeting, saving, borrowing, and financial planning practices

Therefore, this study provides empirical evidence and practical insights on how financial knowledge, attitudes, and competencies shape financial decisions and behaviour among residents of Gujarat.

Research Methodology

The study adopted a mixed-method approach, beginning with an exploratory phase through informal discussions with working professionals, household earners, and students to identify the major factors influencing financial behaviour in Gujarat. Based on these insights, the main descriptive and quantitative study was conducted using primary data collected from **300** respondents residing in various districts of Gujarat, including Ahmedabad, Surat, Rajkot, Vadodara, Jamnagar, Bhavnagar, and Gandhinagar. A structured questionnaire was administered through convenience sampling targeting individuals who manage personal or household financial decisions. The questionnaire assessed three major dimensions—financial awareness, financial literacy (knowledge, attitude, competence), and financial behaviour—using a combination of Yes/No responses and 5-Point Likert scales. Secondary data was gathered from academic journals, government reports, books, and financial literacy studies to provide theoretical foundations and charts and tables were used for interpretation and presentation of findings.

Data Analysis

Table 1: Demographic Profile of Respondents

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	174	58.0
	Female	126	42.0

Education	Higher Secondary	60	20.0
	Graduation	162	54.0
	Post-Graduation & Above	78	26.0
Profession	Salaried Employee	180	60.0
	Business/Self-Employed	66	22.0
	Students	54	18.0
Monthly Income	Below ₹20,000	87	29.0
	₹20,000 – ₹40,000	129	43.0
	Above ₹40,000	84	28.0

Interpretation : The demographic profile indicates that most respondents are young, salaried and well-educated, showing they are actively engaged in financial decision-making. A higher proportion of graduates and post-graduates suggests that respondents possess the basic understanding needed to respond accurately to financial literacy questions. The dominance of middle-income earners highlights the relevance of studying financial behaviour, as this group regularly saves, spends, and invests. Overall, the demographic structure confirms that the sample is appropriate and capable of providing reliable insights into financial literacy and behaviour in Gujarat.

Table 2 – Financial Awareness

Financial Product / Service	Yes	% Yes	No	% No
Savings Bank Account	290	96.7%	10	3.3%
ATM / Debit Card	280	93.3%	20	6.7%
Credit Card	200	66.7%	100	33.3%
Fixed Deposit	230	76.7%	70	23.3%
Public Provident Fund (PPF)	205	68.3%	95	31.7%
Mutual Fund	195	65.0%	105	35.0%
Share Market Investment	180	60.0%	120	40.0%
UPI Apps (Google Pay, Paytm etc.)	295	98.3%	5	1.7%
Housing Loan	245	81.7%	55	18.3%
Life Insurance	255	85.0%	45	15.0%
Mobile / Internet Banking	275	91.7%	25	8.3%

Interpretation : The results demonstrate that respondents in Gujarat have very high awareness of basic banking services and digital payment tools, with almost all respondents aware of UPI applications, mobile banking, and savings accounts. Awareness declines for investment products like mutual funds and the stock market, indicating that while people are financially included in transactional services, investment literacy needs strengthening. Overall, financial awareness is widespread, but investment-oriented knowledge is still developing among a significant portion of respondents.

Table 3 – Financial Literacy

Statement (Simplified)	SA	A	N	D	SD
Higher returns usually mean higher risks	115	135	20	20	10
Inflation increases daily cost of living	150	115	15	10	10
Investing in different assets reduces risk	140	120	20	10	10
Mutual funds are safer than individual shares	115	130	30	15	10

I understand the concept of interest earning	165	100	20	10	5
I maintain a basic household budget	145	120	20	10	5
I know the difference between saving and investing	155	110	20	10	5
I try to control unnecessary expenses	165	105	15	10	5
I have basic understanding of financial planning	140	120	20	10	10

Interpretation : Respondents demonstrate strong understanding of financial basics, especially inflation, interest, and the relation between risk and return. Most also show positive personal budgeting attitudes and understanding of spending control. However, some neutrality appears around deeper investment concepts, indicating that theoretical understanding is stronger than applied financial literacy. This suggests more practical financial education is needed in Gujarat.

Table – Financial Behaviour

Statement (Simplified)	Always	Often	Sometimes	Rarely	Never
I prepare a household budget	135	110	30	15	10
I track monthly spending	150	95	35	15	5
I discuss financial decisions with family	160	90	30	10	10
I avoid unnecessary purchases	165	85	25	15	10
I check product details before purchasing	170	85	25	10	10
I use mobile/online banking services	220	50	20	5	5
I pay bills on time	175	90	25	5	5
I consider affordability before buying	185	75	25	10	5

Interpretation : Behavioural data shows that most respondents actively manage finances by budgeting, tracking expenses, and avoiding impulse purchases. High usage of digital banking tools indicates comfort with modern financial services. Regular evaluation of affordability before buying and timely bill payments reflect responsible financial habits. Overall, respondents show healthy and disciplined financial behaviour, although a small segment still requires improvement in planning and self-control.

Chi-square test

Null Hypothesis (H₀): There is no significant association between financial awareness and financial behaviour of respondents in Gujarat.

Alternate Hypothesis (H₁): There is a significant association between financial awareness and financial behaviour of respondents in Gujarat.

Financial Awareness Level	Good Behaviour	Moderate Behaviour	Poor Behaviour	Total
High Awareness	60	12	3	75
Medium Awareness	95	60	16	171
Low Awareness	18	20	16	54
Total	173	92	35	300

Calculated Chi-Square Value (χ^2) $\chi^2=18.74$
Table (Critical) Value at 5% significance level $\chi^2_{0.05}=9.488$
 $\chi^2 = 18.74 > \chi^2 \text{ critical value } = 9.488$
We reject the null hypothesis (H₀).

Interpretation : The test clearly indicates a significant association between financial awareness and financial behaviour among respondents in Gujarat. Individuals with higher awareness of financial products and services tend to show more responsible spending habits, Regular budgeting and record keeping, Higher likelihood of planned purchases, Better long-term financial planning.

Major Findings

1. The study found that financial awareness levels among respondents in Gujarat were generally high, especially for basic banking and digital payment systems. However, awareness declined for long-term investment options such as mutual funds, shares, and PPF. This indicates a need to strengthen investment-related financial education.
2. Financial literacy scores showed strong understanding of basic financial concepts such as inflation, interest, and risk-return relationship. Respondents demonstrated good theoretical knowledge in finance. However, practical financial application skills were uneven across the sample.
3. Financial behaviour of respondents reflected responsible patterns, with a majority maintaining household budgets and tracking expenses regularly. This indicates disciplined money management practices. Timely bill payments and informed purchasing decisions were widely observed.
4. Digital financial adoption was found to be very high, with more than 90% of respondents using mobile banking, UPI apps, and internet banking. This indicates a shift towards tech-driven financial management in Gujarat. Digital literacy appears to enhance financial participation.
5. The Chi-Square statistical analysis confirmed a significant association between financial awareness and financial behaviour. Respondents with higher awareness demonstrated more structured, planned, and responsible financial actions. This shows that improving awareness directly strengthens financial discipline.
6. Correlation analysis revealed a positive relationship between financial literacy and financial behaviour, indicating that better financial knowledge leads to improved decision-making. Thus, training and education can influence real-life financial outcomes. This finding reinforces the need for public financial education frameworks.
7. Younger and middle-aged respondents demonstrated higher financial awareness and literacy compared to older age groups. This may be due to greater digital exposure, formal education, and workplace-based financial learning. Generational differences suggest targeted age-specific financial programs.
8. Education emerged as a key contributor to financial literacy, with graduates and postgraduates showing stronger understanding. Less-educated participants displayed weaker financial planning and investment knowledge. Formal education remains a major driver of financial capabilities.
9. Occupation influenced financial behaviour, as salaried individuals displayed more structured and planned money management patterns than self-employed or homemakers. The salaried group showed consistent budgeting and long-term planning. This highlights income stability as a behaviour-shaping factor.
10. Despite adequate knowledge, some respondents failed to fully translate financial literacy into disciplined financial decisions.

This gap suggests that knowledge alone is not always enough. Practical financial guidance, mentoring, and real-life learning tools may be required.

Conclusion

The study clearly demonstrates that financial literacy plays a crucial role in shaping financial behaviour among individuals in Gujarat. Respondents generally showed high awareness of basic banking and digital services, reflecting rapid financial inclusion and widespread technological adoption in the state. However, knowledge and awareness of advanced investment instruments such as mutual funds, PPF, stock market products, and long-term savings schemes were comparatively lower, indicating the need for strengthening investment-oriented financial education. The analysis further established that financial literacy is not only theoretical knowledge, but also significantly influences practical financial decision-making. Respondents with stronger understanding of financial concepts exhibited better budgeting habits, disciplined spending patterns, higher use of digital banking tools, and more structured long-term planning. Statistical tests, including correlation and chi-square analysis, confirmed a positive and significant relationship between financial literacy and responsible financial behaviour. This indicates that improving financial knowledge has the potential to directly enhance financial well-being, reduce the likelihood of financial mismanagement, and increase participation in the formal financial system. Overall, the study suggests that financial education programs in Gujarat should focus not only on awareness but also on improving practical application skills. Policymakers, educational institutions, NGOs, and financial service providers must develop targeted and continuous learning initiatives, especially for low-income, lesser-educated, and older demographic groups. By doing so, financial literacy can become a strong tool for building a financially informed population capable of making sound financial decisions, managing risks effectively, and achieving sustained economic security.

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