"Exploring the role of financial literacy on financial behaviour of individuals in Ahmedabad city"

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Abstract

This study investigates the influence of financial literacy on financial behaviour among individuals in Ahmedabad, India. With increasing financial complexities and expanding access to financial services, understanding how literacy affects budgeting, saving, investing, and planning has become essential. Employing a descriptive research design and a sample of 200 respondents, the study utilizes structured questionnaires and statistical analyses including regression and t-tests. Findings reveal that financial literacy positively impacts financial behaviour, although disparities persist across education, gender, and income levels. The study recommends targeted literacy programs and digital financial inclusion to bridge these gaps and promote better financial decision-making.

Introduction

The integration of financial services in daily life requires individuals to make informed choices regarding spending, saving, investing, and debt management. Financial literacy—the ability to understand and effectively use financial skills—plays a pivotal role in influencing these decisions. In developing nations like India, disparities in financial literacy pose challenges to inclusive economic growth. This paper aims to evaluate how financial literacy influences key financial behaviours in Ahmedabad, a rapidly developing urban center.

Literature Review

A synthesis of past studies indicates a global and national gap in financial awareness. Research by Shamim (2024) and Banthia (2022) emphasized digital literacy's impact on saving and investment behaviours. Caplinska (2019) and Gupta (2020) found early education and socio-demographic factors to significantly influence financial decisions. Studies consistently highlight gender and income disparities (Chowdhary, 2019; Singhal, 2022), risk aversion, and preference for traditional investment avenues (Lalitha, 2021; Rani, 2023). These insights form the foundation for examining behavioural patterns in the present study.

Research Objectives

• To assess the level of financial literacy among individuals in Ahmedabad.

• To evaluate the relationship between financial literacy and behaviours like saving, budgeting, investment, purchasing decisions, and long-term planning.

Research Methodology

Design: Descriptive research

Population: Residents of Ahmedabad

Sample Size: 200 individuals

Sampling Technique: Non-probability convenience sampling

Data Sources:

- Primary: Structured questionnaire via Google Forms

- Secondary: Academic journals, reports, websites

Tools: SPSS, Excel for analysis; statistical tests include regression and t-tests.

Data Analysis & Results

Demographics:

- Gender: Balanced (50.5% female, 49.5% male)

- Age: Majority (63%) under 35 years

- Education: 48.5% postgraduates

- Income: 39% earn between ₹5–10 lakhs annually

Key Findings:

- Saving Behaviour: While 92.5% acknowledged the importance of saving, only 43.5% saved regularly. Trust in financial institutions was moderate (46.5%).

- Budgeting: Nearly half claimed awareness of their income and expenses, but fewer adhered strictly to budgets.

- Investment: Low preference for market instruments; only 37% invested in shares/bonds. Real estate and insurance remained dominant.

- Long-Term Planning: Participants acknowledged its importance but varied widely in preparedness.

- Gender & Income Disparities: Women and lower-income groups exhibited less financial confidence and lower investment rates.

Conclusion

Financial literacy significantly impacts individuals' financial behaviour in Ahmedabad, particularly in saving and budgeting. However, gaps in investment knowledge, risk-taking capacity, and long-term planning highlight the need for focused interventions. Financial literacy must not only impart knowledge but also empower behavioural transformation.

Recommendations

- Financial Education Programs: Government and NGOs should organize workshops targeting women, students, and low-income groups.

- Digital Literacy Campaigns: Promote use of UPI, mutual funds apps, and online financial planning tools.

- Policy Initiatives: Embed financial literacy in school curricula and offer tax incentives for participation in certified programs.

- Community Outreach: Financial institutions can partner with local bodies to drive trust and awareness in underrepresented areas.

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