

SIGNIFICANCE OF FINANCIAL LITERACY: A ROAD MAP TOWARDS FINANCIAL WELL BEING

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ABSTRACT

The paper reports the investigation on the significance of financial literacy for financial well being of the society. Through this study it focuses on the various dimensions of the financial literacy. The study also investigates the impact of financial literacy on society along with how financial literacy assist individual in taking sound financial decisions. Financial literacy plays a very crucial role for the financial well being of individual as it provides the appropriate guidelines to individual regarding their financial planning. In the present era financial literacy provides a road map for proper earning channel, saving and investment decisions of hard earn money to earn maximum returns. Financial inclusion involves financial literacy and financial education for proper financial knowledge, sound financial behavior and appropriate financial attitude.

Keyword: - Financial Literacy, Financial Inclusion, Financial Education, Financial Planning

1. INTRODUCTION

Financial Literacy means gaining financial education and understanding various financial concepts and techniques for financial well being. Financial literacy helps individual for gaining sound financial knowledge and specific skills for taking important sound financial decisions for their personal money management. Financial literacy helps to manage personal finances, preparation of individual budgets and create a habit of savings and investments. Financial literacy assists to change the individual attitude, approach and behavior towards financial personal financial planning. Financial literacy can be achieved through financial education. Therefore the knowledge and core competencies related to financial literacy are necessary for individual to use the available financial resources in effective manner. These core competencies are need identification, ability to earn, saving and investment pattern, fund protection, attitude towards spending, borrowing skills and its effective utilization.

These core competencies plays a crucial role in individual life for their financial well being. Financial well being means persons is able to meet the present needs along with future needs.

- Identification of need is important for individual as it reflects their day to day requirements. Once need has been identified it becomes ease for financial planning.
- Ability to earn includes capacity to bring money from various sources. It is necessary for the individual to earn money to satisfy their need and expectations.
- Through these earnings one can create the pattern of savings (Income-Expenditure) and savings leads to investments (commitment of funds made with the expectation of earning future returns).
- It is necessary to make the investment through proper investment avenues to avoid future financial losses. (Protection against Ponzi Schemes)

- Attitude towards spending plays a significant role to keep balance between income and expenditure. One should focus on needs and wants considering the actual earnings. While spending it is necessary to create the proper budget which includes day to day spending records, balance between wants and needs and balance between income and expenditure.
- One can borrow funds to create assets but money should borrow by considering the needs and expectations along with skills of money utilization. The borrowed fund management should be appropriate manner like avoid higher rate of interest, prefer long tenure to repayment and approach to authentic borrower to borrow money.

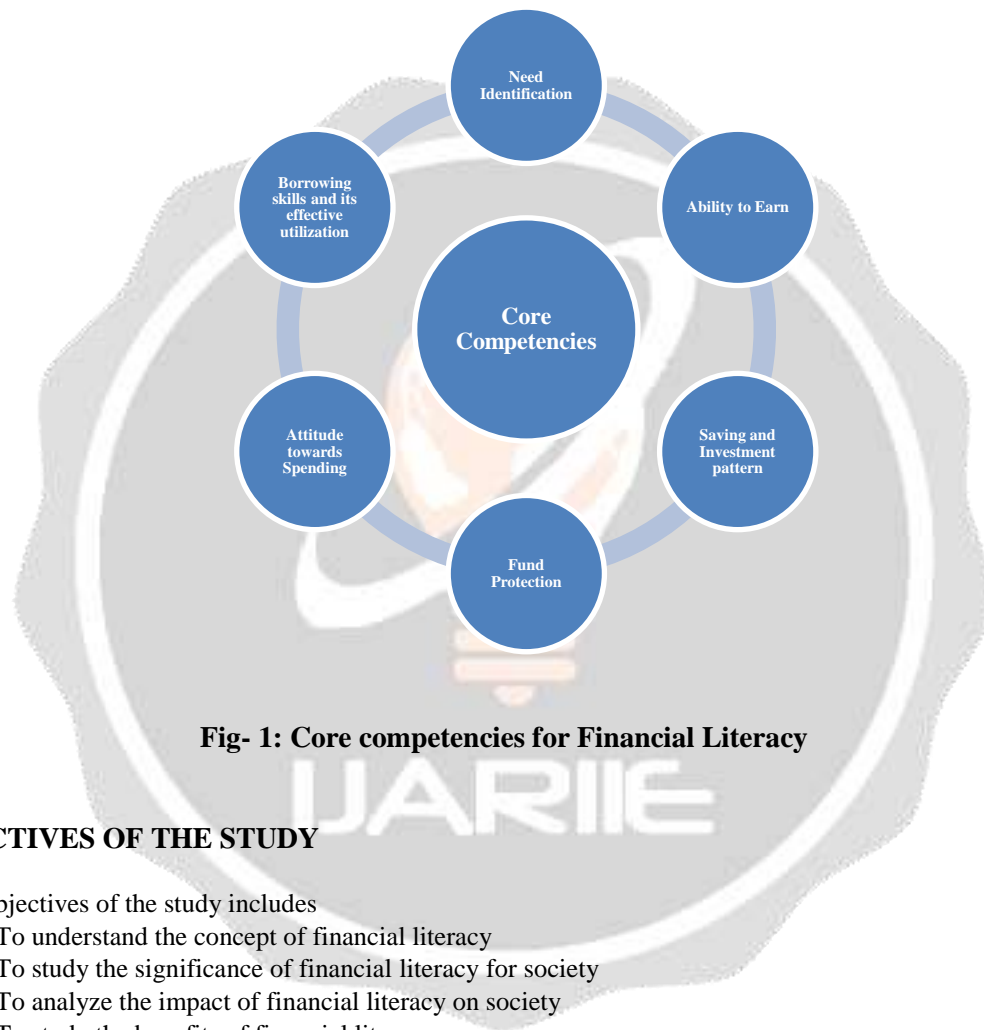


Fig- 1: Core competencies for Financial Literacy

2. OBJECTIVES OF THE STUDY

The objectives of the study includes

- To understand the concept of financial literacy
- To study the significance of financial literacy for society
- To analyze the impact of financial literacy on society
- To study the benefits of financial literacy

3. ADVANTAGES OF FINANCIAL LITERACY

There are enormous benefits of financial literacy. The fundamentals of financial literacy assists people to become self sufficient and to achieve financial stability in life. It also includes ability to save money for future, preparation of budgets considering the needs and wants, to keep balance between income and expenditure etc.

- Help to understand the basic concept of finance.
- Assist to prepare the appropriate budget by taking into consideration need and wants.
- Help to create habit of savings and investment.
- Provide knowledge and information about various investment avenues to individuals.

- Help to understand the concept of time value of money and power of compounding with respect to various investment avenues.

4. GROWING NEED OF FINANCIAL LITERACY

Now a days it becomes necessary for individual to analyze the actual financial situation of himself and to understand the basic concept related to financial education. Financial literacy helps people to improve their financial skills for financial well being.

- To able individual to gain knowledge about basic financial concepts.
- To provide knowledge about the basic concept related to financial planning.
- To provide a road map for proper retirement planning and tax planning.
- To assist to keep balances between revenue and expenditure.
- To protect hard earn money from Ponzi Schemes.
- To take proper decision of saving and investment related activities for financial well being.

5. IMPACT OF FINANCIAL LITERACY ON SOCIETY

Financial literacy plays an important role for creating positive impact on the behavior of the individual as it involves financial education and knowledge. Financial education able an individual to learn and gain specific knowledge related to basic financial concepts. It creates favorable impact on the society as financial literacy provides ample knowledge to individual for taking sound financial decisions. Definitely financial literacy helps to change the behavior of the person towards financial planning. There are various financial regulating authorities which had taken many initiatives to create awareness about financial education among people through financial education workshops for different segment of the society. In fact this is very good initiatives by these regulating authorities to create awareness about financial education for financial well being of society. Financial literacy has positive impact on the mindset of the people as it helps to improve the financial skills. There are various courses available on financial education which creates greater impact on the behavior of the people. Therefore it becomes necessary to create awareness of financial education among people to make them able to take sound financial decisions. Financial literacy really creates a greater impact on the attitude and behavior of the people for taking sound financial decisions.

6. CONCLUSIONS

As we know that in the present era financial literacy plays a very crucial role for the financial well being of the society. Through financial literacy individual gets the significant knowledge about the various financial concepts which helps them for their own financial stability and able them for taking sound financial decisions. Because of financial literacy an individual learn about the concepts of savings and investments, investment avenues, financial planning and many more. Majority population of the country belongs to rural area, hence it becomes necessary to strengthen the rural population by providing proper financial education through financial workshops, seminars etc. In this regards regulating authority in country have taken very good initiatives to promote financial education in the society through various programs. Due to financial literacy people can protect their hard earn money from Ponzi schemes. Therefore financial literacy plays a crucial role for the financial well being of the society.

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