

FROM KNOWLEDGE TO ACTION: FINANCIAL LITERACY AND PERSONAL FINANCE BEHAVIOUR AMONG DIVERSE SOCIO-ECONOMIC GROUPS IN VIDARBHA

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ABSTRACT

It is also emerging that financial literacy has emerged to be a critical determinant to characterize individual financial well being and universal economic growth, particularly in a region where social-economic diversity is so high. National agrarian region of semi urban area Vidarbha in Maharashtra is a region that has its own problems and opportunities to translate financial knowledge to productive behaviour in the field of financial management. The present paper is dedicated to researching the relationship between personal finance behaviour and financial literacy and different socio-economic layers in Vidarbha and disparities in finance literacy and behaviour based on variable income, education, profession and rural/ urban setting. The research scales dimensions of financial literacy as linked to basic financial literacy, financial product awareness, budgeting skills, savings behaviour, investment choice and debt management behaviours on primary data collected on a structured questionnaire. The level within which the actual financial decision-making may be driven by the financial literacy is determined with the help of statistical data like descriptive analysis, correlation and inferential measures. The findings show that socio-economic groups vary significantly in as far as financial literacy and financial behaviour is concerned whereby a higher degree of literacy is associated with judicious financial behaviour such as saving habitually, investing wisely and low usage of credit in prudent way. However, there is one more factor, listed in the study, which is the gap in knowledge and action where the financial awareness does not always translate into positive financial behaviour particularly among the respondents with lower income and in rural localities. The paper identifies the need of the context-based, policy-imposing financial education and interventions in order to increase the financial ability and sustainable personal finance behaviour in the Vidarbha region.

Keywords - Financial Literacy; Personal Finance Behaviour; Socio-Economic Groups; Financial Decision-Making; Knowledge–Action Gap; Vidarbha Region

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INTRODUCTION

Financial literacy is now an economic empowerment and financial inclusion pillar in the world amidst the increasing financial markets sophistication, the digitalization of financial services, and individual responsibility to make financial decisions that has continually expanded. Now one has to independently manage income, savings, investments, credit, insurance and retirement planning with little or no institutional help and is therefore, obliged to have financial knowledge and skills to be long term financially stable and well being. Financial literacy is not merely a kind of knowledge on financial concepts but just the capacity to apply financial enlightenment in real life endeavors in order to affect personal finance behaviour such as finance planning, spare techniques, investing and debt. The existing literature of empirical studies has shown that lack of financial literacy may lead to lack of financial literacy and poor financial decision-making, excess indebtedness, failure to save and vulnerability to financial crises, and thus increased socio-economic inequalities. In the burgeoning world economies like India, whereby the financial structures have been increasing at an extremely rapid rate and where the financial products are becoming increasingly sophisticated the gap in between the financial knowledge and the financial action is even more applicable.

India has come a long way with the financial inclusion process that entails implementing such policies as the Pradhan Mantri Jan Dhan Yojana, the Direct Benefit Transfer initiative, online payment solutions, and the growth of banking and non-banking financial services. These have augmented the formal access to the financial systems although that is not sufficient considering the fact that access does not guarantee effective financial access or financial aptitude. A big percentage of the population continues to report issues in being aware of financial products, how they assess financial risk, and take informed choices with regard to finance. This absence of an interrelation between the access and meaningful use underscores the value of financial literacy in introducing financial inclusion to financial well-being terms of significance. Moreover, socio-economic factors such as income, education, occupation, cultural norms, and geographical differences influence the financial behaviour in India significantly and thus it is critical to comment on the financial literacy in specific socio-economic and geographical circumstances.

Vidarbha is an independent socio-economic entity in the eastern sector of Maharashtra, and further provides a quite interesting case study of the financial literacy and personal finance behaviour processes. Vidarbha is defined in terms of agrarian dependence, intermittency crises in the economy, poorly developed industries, amalgamation of rural, semi-urban population and urban population, all this speaks volumes of the fact that the socio-economic diversity of Vidarbha is quite high. The struggle in the region has been unending regarding income uncertainty, indebtedness, mechanical admittance of available quality amid financial counseling services, unequal distribution of educational attainments. Regarding the last few years, the banking in the real world of formal penetration, even where the government-oriented programs and networks on inclusion are considered, the meaningful utilization of financial services continues to be disproportionate in terms of socio-economic groups. Such peculiarities of the geography make Vidarbha a good place to test the hypothesis on whether the financial knowledge is translatable to good financial habits and financial resilience.

Analysis of relationship between financial literacy and personal finance behaviour among different socio-economic groups is crucial in identification of the gaps that had been present and more particularly, the development of unique interventions. Financial behaviour is a general term of activities that apply to personal finance, this includes financial planning (budgeting, saving, investment planning), insuring and managing credit and this is very imperative in the financial stability of households. The research available indicates that better financially literate individuals have better financial decisions, although the existing research indicates that a significant number of financially literate individuals still have a knowledge action gap where they understand financial facilities well, yet they do not utilise them as often as they should because of behavioural biases, due

to income constraints, they do not trust the financial institutions, or they just lack access to proper financial products. This type of discrepancy is particularly relevant in the region like Vidarbha where the decision-making process that is financially-connected might be constrained by the economic vulnerability and socio-cultural factors when the financial awareness is increasing.

It is the backdrop of this that the present study seeks to examine the extent to which the financial literacy has the potential of influencing the individual finance behaviour among the different socio-economic backgrounds in the Vidarbha region. The study will aim to present the detailed picture of how the financial knowledge is acquired, perceived and transformed into financial behaviours through the investigation of the disparity of income levels, educational backgrounds, occupational classification, and rural-urban environment. The paper has contributed to the body of literature existing since it gives empirical evidence given the region, and explains the contextual factors that affect the financial behaviour in a socio- economically diversified region. The findings will also be substantial to the policymakers, financial institutions, teachers, and the development agencies in designing the particular financial literacy programmes, and behavioural interventions to overcome the knowledge-action gap and to facilitate the inclusive sustainable financial well-being in the Vidarbha region.

LITERATURE REVIEW

Financial literacy is a question that has received a significant amount of academic and political discussion since it has come to be as pertinent to the definition of individual fiscal well-being and the involvement of the comprehensive economic well being. The aspect of financial literacy which has been taken into consideration by scholars across various countries and levels of socio-economic standings that affect financial behaviour, investment decisions, and financial inclusion has both direct and indirect impacts on the personal finance outcome. Initial studies on the fact that financial knowledge determines financial confidence together with financial behaviour. Danes and Haberman (2007) examined the financial knowledge, the feed of the self-efficacy and behaviour and found out that the financial knowledge positively influenced the responsible financial behaviour and that there were significant differences between the sexes. The contribution of this study as a behavioural construct of financial literacy lies in the fact that, it does not only pertain to the understanding of the concept per se but also to behavioural construct.

Along this line of thinking, however, Johnson and Sherraden (2013) have added some more context: they introduce the concept of financial capability and assume that however good financial literacy is created, it has to be supported through institutional access and facilitating conditions. The study revealed that individuals are capable of possessing financial knowledge, but not representing good financial behaviour in terms of the structural constraints, which is highly applicable in the developing economies. The move toward literacy as a capability reflects the contribution of contextual and social-economic factors in informing the determination of financial behaviour.

Numerous foreign studies have been focused on measurement of financial literacy level and identification of factors which influence it. A recent study by Nicolini and Haupt (2019) also demonstrated varying financial literacy across demographic and socio-economic groups with education and income and employment used as the primary predictors in Europe. Similarly, Lusardi (2019) strongly endorsed the idea of structured financial education, and the researcher supplied the proof that the low level of financial literacy is widespread, even among the developed economies, and it is accompanied by a lack of a personal pension scheme, inability to face a financial crisis, and poor financial decisions. All these works possess the universality of financial literacy and demonstrate that the impact of socio-economic diversity is enormous upon financial performance.

Empirical research about the relationship between financial literacy and investment behaviour and financial inclusion has increased in the Indian setting. A relative examination of the category of salaried individuals in the Delhi NCR region revealed that the basic financial literacy was moderate,

and the variation had very significant differences according to age, income and level of education (Chhillar and Arora, 2020). The implications of their findings include the possibility that financial literacy remains an issue even in the urban and salaried population and can be examined on the long-term financial planning and investment behaviour. The financial literacy and investment behaviour of an Indian working population group as observed by Mehra and Puram (2020) also showed that there existed a positive correlation between a financial knowledge and the informed decision of investment. However, the analysis has also found these to be behavioural biases and risk aversion as the impediments that do not allow individuals to exercise their financial knowledge to the extent possible.

It is positioned in the region-specific way, which is why Kandari, Bahuguna, and Salgotra (2021) examined socio-economic differentiation in the frames of financial literacy, and how financial literacy correlates with financial inclusion in the underdeveloped regions of India. They realized that the income, education and occupation groups varied in terms of financial literacy with low literacy levels registered on rural and financial weaker regions. This paper managed to find that there is an outstanding relationship between the financial literacy and financial inclusion and pointed out that structural barriers such as accessibility to financial institutions and insufficient financial awareness education must be evaded to attain effective financial inclusion. The study can be specifically relevant to the regions like Vidarbha which are also comparable in the socio-economic context.

The methodologically feasible part of the research conducted by Venkataraman and Thilak (2018), Structural Equation Modelling, was used to investigate the risks that specify financial literacy; it was confirmed that education, financial socialization, and financial information availability are influential factors with a considerable impact on financial literacy. Their method of the multiple confirmation of multidimensionality of financial literacy and behavioural implications was empirically confirmed by their model based approach. With this, Ozen and Ersoy (2018) investigated how behavioural finance and financial literacy are associated with educators, and were able to arrive at a significant relationship between financial literacy and financial attitudes and behaviour and behavioural biases most often mediated.

The other emerging economies add to the literature also. Kumari and Dat (2020) in their research article on undergraduates in Sri Lanka defined that financial literacy is very crucial in the achievement of the investment decisions (even in the younger ages). The research however exhibited certain gaps in the theoretical literature and practical financial implementation and hence knowledgeaction gap was identified. This aligns with the outcomes of the research by Khan, Siddiqui, and Imtiaz (2022) which has conducted a rather comprehensive analysis of the role provided to the financial inclusion process due to financial literacy. Their synthesis emphasized the fact that financial literacy as a condition to financial inclusion is not enough but must be complemented by encouraging institutional frameworks and behavioural interventions.

Purely, the literature in question offers sufficient and theoretical and empirical dependence between financial literacy and personal finance behaviour, and simultaneously, illustrates the existing uneven allocation between socio-economic strata and areas in a very graphic manner. Most studies are conducted among the urban population, college population and also among those who are salaried or national research and there is a gap in research present where there has been the research gap that is based on region specific and socio-economically diverse environment such as Vidarbha. Besides, limited focus has been given to the knowledge action gap when studying the financial vulnerable and agrarian regions. In a bid to fill these gaps, the present study will seek to fill this gap by empirically analysing the relationship between financial literacy and individual behaviour in personal finance regarding different socio-economic backgrounds of Vidarbha and extend the existing literature and present policy implications which have anchored in the region.

Objectives of the study

1. To assess the level of financial literacy among diverse socio-economic groups in the Vidarbha region.
2. To examine personal finance behaviour related to saving, investment, budgeting, and credit management among respondents.
3. To analyse the relationship between financial literacy and personal finance behaviour.

Null Hypothesis (H₀): There is no significant difference in personal finance behaviour related to saving, investment, budgeting, and credit management among the respondents.

Alternative Hypothesis (H₁): There is a significant difference in personal finance behaviour related to saving, investment, budgeting, and credit management among the respondents.

RESEARCH METHODOLOGY

The research design that will be adopted in the present research will be a descriptive and analytical research design in case the researcher seeks to examine the relationship between financial literacy and personal finance behaviour of different socio economic groups in the Vidarbha region. The main data was received because of basic tools of using a structured questionnaire that was offered to people who represent different income groups, educational groups, professional groups, and rural-urban locations. These dimensions were the significant spheres of financial literacy and personal finance behaviour that would be evaluated by a Likert scale in designing the questionnaire that were saving, investment, budgeting and credit management. The sampling technique applied was non-probability based on both the issue of availability and the type of population used that was not homogenous (convenience and judgmental). The secondary data were retrieved to support the theoretical framework of the research by means of the academic journals, books, government publications, and published studies. According to the characteristics of the collected variables, the data were coded, and analysed with the aid of the statistical tools, such as descriptive, correlation and inferential statistic tools as t-tests and ANOVA. To ensure reliability of the research instrument, Cronbach alpha was applied and right validity checks were done to ensure the consistency and accuracy of the research. The results of the analysis were then considered through the study objective so as to extrapolate some inferences and business-political implications to enhance financial literacy and financial behaviour in the Vidarbha region.

Table: Descriptive Statistics of Personal Finance Behaviour among Respondents

Dimension of Personal Finance Behaviour	N	Minimum	Maximum	Mean	Standard Deviation
Saving Behaviour	300	1.20	5.00	3.42	0.86
Investment Behaviour	300	1.00	5.00	3.18	0.91
Budgeting Behaviour	300	1.50	5.00	3.65	0.79
Credit Management Behaviour	300	1.10	5.00	3.27	0.88
Overall Personal Finance Behaviour	300	1.45	5.00	3.38	0.84

The table based descriptive statistics goes to show that there is a noticeable difference in personal finance behaviour among the respondents and therefore based on this fact it is justifiable to argue in favour of the premise of the alternative hypothesis. Mean on saving behaviour (Mean = 3.42, SD = 0.86) indicates that there is a moderately positive inclination towards saving behaviour but due to the high standard deviation saving behaviour of different respondents is different. The mean score of investment behaviour (Mean = 3.18, SD = 0.91) was relatively lower thus resulting in them being cautious or simply not engaging in the investment activities adequately perhaps due to risk aversion or lack of adequate financial knowledge. The strongest dimension was the budgeting behaviour that had the highest score of the mean (Mean = 3.65, SD = 0.79) which suggests that the respondents are more likely to have control in budgeting their income and spending. On the other hand, awareness and inconsistency of the level of discipline in credit and debt repayment were viewed as an average (Mean

= 3.27, SD = 0.88) in the credit management behaviour. The output of suggestive financial prudence competence, standard deviation of 0.84 and mean of 3.38 gives the indication that there is moderate financial prudence with a good degree of heterogeneity in the respondents. In individual financial behaviour dimensions under observation, the differences that it has observed in the different dimensions justifies the existence of significant differences between different respondents hence proving the alternative hypothesis and that further inferential statistical analysis are necessary to establish differences across groups.

Table: One-Way ANOVA for Personal Finance Behaviour among Respondents

Source of Variation	Sum of Squares	df	Mean Square	F Value	Sig. (p-value)
Between Groups	42.680	3	14.227	9.356	0.000
Within Groups	451.320	296	1.525		
Total	494.000	299			

The results of the one-way ANOVA reveal that all the respondents have statistically significant difference in the individual finance behaviour in terms of saving, investment, budgeting and management of credit. The result of the analysis shows that the between-group variation (Sum of Squares = 42.680) is considerably higher compared to the within-group variation (Sum of Squares = 451.320) whose F value of 9.356 is significantly high at 5 per cent level of significance ($p = 0.000$). This demonstrates that the difference in the means of personal finance behaviour is high in the groups that are considered in the study. The F-statistic is significant that points out that the differences in financial practices are not an accidental phenomenon but related to a difference that resides behind the respondents which is probably to be an effect of the socio-economic and demographic factors. The null hypothesis is therefore discarded and consequently the alternative hypothesis is therefore accepted, which has the connotation of approving that significant disparities exist in personal finance behaviour in as far as saving, investment, budgeting and credit management of the respondents is concerned. The findings represented here justify the post-hoc analysis outcomes to identify the specific group differences and refer to the applicability of situation-specific financial literacy program to eradicate the behavioural differences.

OVERALL CONCLUSION

The present paper makes an inference to the financial literacy as a critical determinant of individual financial behaviour in various socio-economic categories of the Vidarbha region. As has been observed, the respondents are average financially wise, and significant differences are clear on the saving, investment, budgeting, and credit management practices. The respondents were found to have a similar stronger budgeting behaviour and a relative lower promise of consistency in their investment and credit management practices with the indication that they make financial choices that are risk averse and have variation in the level of financial confidence. The descriptive and inferential test findings confirm the argument that individual finance behaviour of the respondents which has high discrepancies is a reality, which demonstrates the role of socio-economic and demographic variables on financial decisions.

The ANOVA results provide a solid empirical indicative in the affirmation of the alternative hypothesis and confirm that there is indeed significant variation between personal finance behaviour among groups. These disparities support the knowledgeaction gap in that knowledge of finance will not necessarily translate into productive financial behaviour, particularly with financially disadvantaged and financially illiterate populations. Based on the results, the mere availability of financial services will not ensure the appropriate financial outcomes unless there is the viable financial education, as well as the financial behaviour interventions. Overall, the paper highlights the need of regional and socio-economically focused financial literacy and education in Vidarbha that

does not rely merely on the theory-based reasoning but is focused on the development of the financial capacity and the irresponsible utilisation of the financial behaviour. Policy makers, financial and educational organizations should work in synergy to devise situational and inclusive initiatives which can be adopted in the region in a manner that enhances financial decision-making, long-term financial stability and sustainable economic development in the region.

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