

## **FINANCIAL LITERACY AND SUSTAINABLE ECONOMIC DEVELOPMENT: AN EMPIRICAL STUDY**

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### **Abstract**

Financial literacy is a key factor in understanding an individual's financial behavior and promoting sustainable economic development. This study aims to explore the link between financial literacy and the sustainable financial behavior of individuals. We gathered primary data from 120 respondents using a structured questionnaire. The results indicate that financial literacy positively influences savings behavior, the use of digital finance, and consumer spending on sustainable products. Individuals with good financial literacy are better at financial planning and tend to adopt more economically sustainable behaviors. If individuals are guided correctly, financial literacy can contribute to sustainable economic development.

### **1. Introduction**

Financial literacy refers to the knowledge and understanding of financial concepts that help individuals make informed decisions regarding their finances. The variety of financial products available today has grown, making financial literacy essential for effective management and benefits.

Economically sustainable development relates to responsible financial behaviors such as saving, investing, and consuming. Individuals with sufficient financial knowledge can manage their funds effectively, avoid falling into debt traps, and make long-term financial decisions.

Many developing nations, including India, still struggle with low levels of financial literacy among their citizens. This contributes to poor financial decision-making, inadequate savings, and inefficient use of resources. Improving financial literacy can empower citizens to make better decisions, leading to sustainable economic development.

This paper examines the relationship between financial literacy and sustainable financial behavior among individuals, using data collected from respondents.

**Keywords:** Financial Literacy, Sustainable Development, Financial Behavior, Economic Sustainability, Digital Finance

### **Objectives of the Study:**

1. To assess the level of financial literacy among respondents.
2. To examine the relationship between financial literacy and financial behavior.

3. To analyze how financial literacy affects savings behavior and consumption choices in relation to sustainability.
4. To suggest ways to improve financial literacy for sustainable economic development.

### **Literature Review:**

1. Lusardi and Mitchell (2014) found that adequate financial literacy is crucial for making wise financial decisions and effective retirement planning. Their study shows a positive correlation between financial literacy and saving behavior.
2. The OECD (2018) noted that financial education programs greatly influence individual decision-making and contribute to economic sustainability.
3. Atkinson and Messy (2012) pointed out that higher financial knowledge enables individuals to engage in beneficial financial behaviors such as budgeting, saving, and investing for long-term security.
4. Hastings et al. (2013) discussed the role of financial literacy in promoting financial inclusion, impacting individual well-being and sustainable economic growth.
5. Based on these studies, we conclude that financial literacy is vital for making sound financial decisions and fostering development.

### **Conceptual Framework:**

The framework below illustrates that financial literacy is essential for promoting financially sustainable behavior and economic sustainability.

Financial Literacy → Financial Decision Making → Savings Behavior, Digital Financial Participation, Sustainable Consumption → Sustainable Economic Development

### **Research Methodology:**

#### **1. Research Design**

This study employs a descriptive and analytical design to explore the relationship between financial literacy and financially sustainable behavior.

#### **2. Data Collection**

Data collected From primary Source through a structured questionnaire.

#### **3. Sample Size**

The sample includes 120 respondents selected using a convenience sampling method.

#### **4. Data Analysis Tools**

Data analyzed by using the following techniques:

- Percentage analysis

- Comparative analysis
- Graphical representation

**Hypothesis of the Study:**

H0: Financial literacy does not significantly impact financially sustainable behavior.

H1: Financial literacy has a significant positive impact on financially sustainable behavior.  
on financially sustainable behavior.

**Data Analysis and Interpretation**

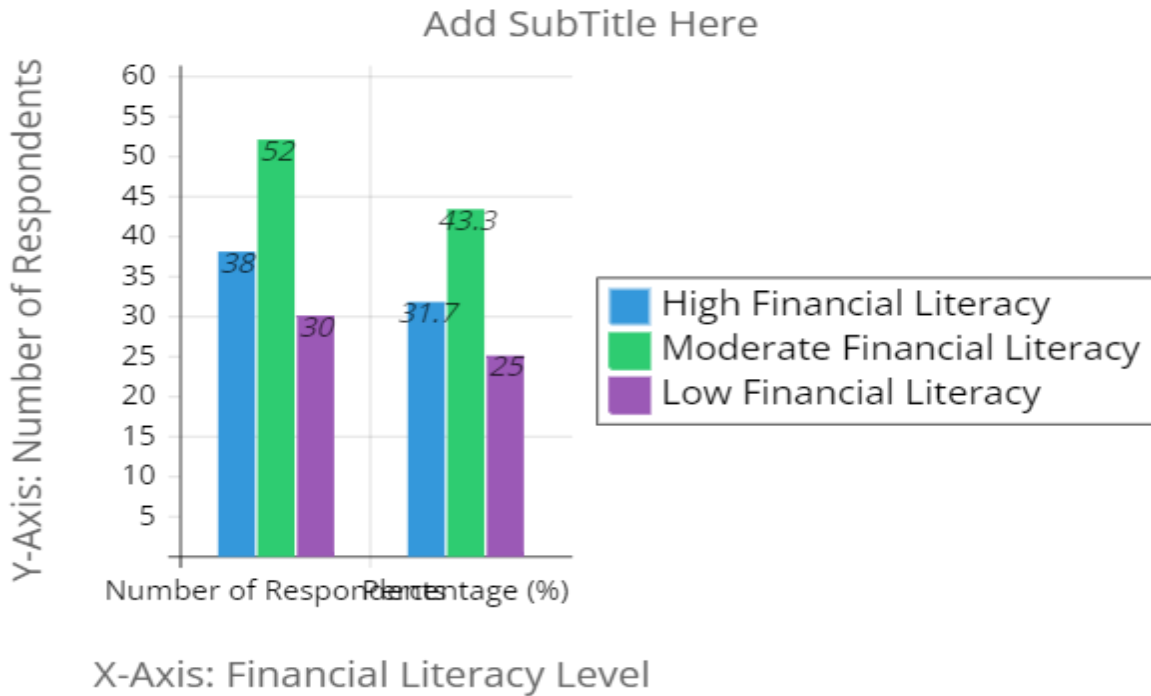
**Table 1: Distribution of Respondents by Financial Literacy Level**

<b>Financial Literacy Level</b>	<b>Number of Respondents</b>	<b>Percentage (%)</b>
High Financial Literacy	38	31.7
Moderate Financial Literacy	52	43.3
Low Financial Literacy	30	25
<b>Total</b>	<b>120</b>	<b>100</b>

**Interpretation**

The data show that most respondents (43.3%) possess **moderate financial literacy**, while 31.7% have high financial literacy and 25% have low financial literacy.

### Chart Distribution of Respondents by Financial Literacy Level



#### Interpretation

The data reveals that most respondents (43.3%) have moderate financial literacy. Meanwhile, 31.7% possess high financial literacy, and 25% have low financial literacy.

The graph shows that most respondents have moderate financial literacy (52 out of 120, or 43.3%). Following this, 38 respondents (31.7%) have high financial literacy, while 30 respondents (25%) have low financial literacy. This indicates that most individuals in the sample exhibit moderate financial literacy, followed by a higher level. The low level of financial literacy is quite limited. There should be a focus on improving financial literacy to promote better economic decisions in everyday life.

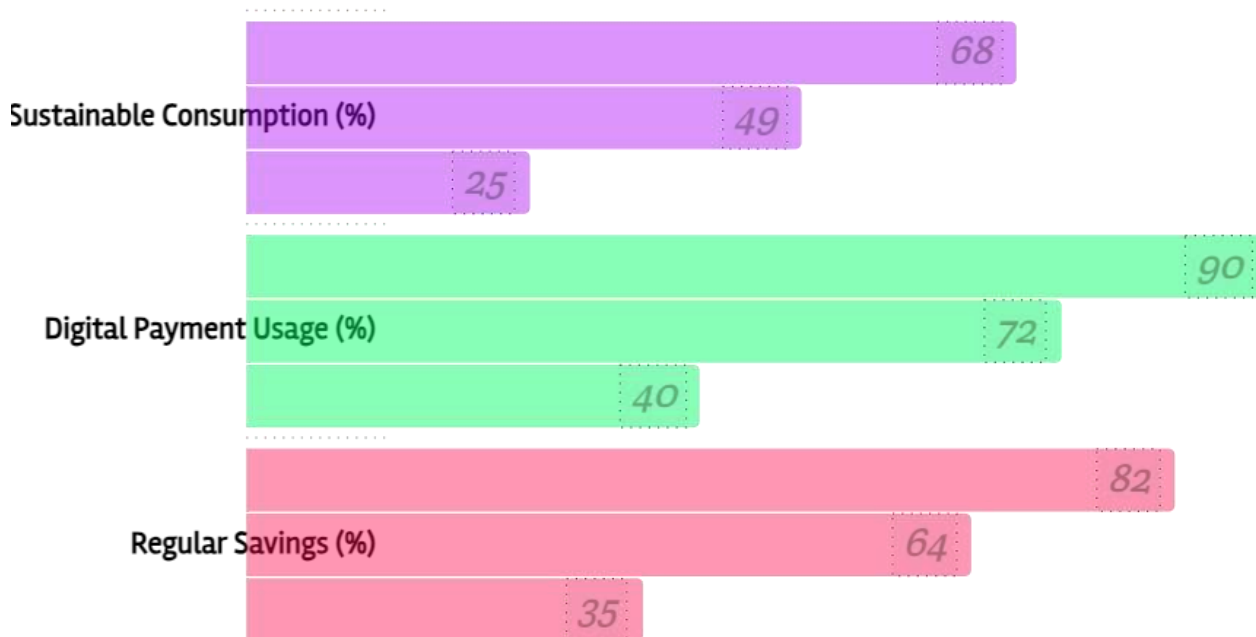
**Table 2: Financial Literacy vs Financial Behaviour**

Financial Literacy Level	Regular Savings (%)	Digital Payment Usage (%)	Sustainable Consumption (%)
High Financial Literacy	82	90	68
Moderate Financial	64	72	49

<b>Financial Literacy Level</b>	<b>Regular Savings (%)</b>	<b>Digital Payment Usage (%)</b>	<b>Sustainable Consumption (%)</b>
Literacy			
Low Financial Literacy	35	40	25

**Interpretation**

The results show that individuals with higher financial literacy demonstrate better financial behaviour such as higher savings and increased use of digital financial services.



**Interpretation**

The results indicate that individuals with higher financial literacy exhibit better financial behaviors, such as increased savings and greater use of digital financial services.

The bar chart illustrates the positive connection between financial literacy and financial behaviors, specifically savings, digital payments, and sustainable consumption. Respondents with high financial literacy showed significantly better scores across all three indicators compared to those with moderate or low financial literacy.

For savings behavior, 82% of respondents with high financial literacy report regular savings, compared to 64% with moderate financial literacy and 35% with low financial literacy. This suggests that a greater understanding of finance leads to healthier savings habits. In terms of digital payments, 90% of those with high financial literacy use these services, compared to 72%

with moderate literacy and 40% with low literacy, reflecting increased confidence and knowledge about digital financial services among the financially literate.

For sustainable consumption, 68% of those with high financial literacy make sustainable choices, surpassing the 49% of moderate and the 25% of low financial literacy respondents. This indicates those with higher financial literacy are more conscious of the environmental and economic impacts of their consumption decisions and are more inclined to choose sustainable products and services.

Overall, the data strongly supports the hypothesis that financial literacy positively impacts financially sustainable behavior in various aspects of financial management.

### **Data Analysis and Discussion:**

The analysis confirms that financial literacy enhances financially sustainable behavior in individuals.

Those with high financial literacy tend to save more, indicating they are financially stable. Additionally, they are more likely to use digital payments and services, which benefit sustainable development. The study highlights the importance of sustainable consumption, revealing that individuals with high financial literacy exhibit positive consumption behaviors toward sustainability.

### **Findings of the Study:**

The main finding indicates that most respondents have moderate financial literacy levels.

1. A higher level of financial literacy is strongly linked to improved savings behavior among respondents.
2. Those with higher financial literacy utilize digital payment and finance services more effectively.
3. Increased financial literacy promotes sustainable consumption behaviors.

### **Suggestions:**

1. Schools and universities should offer financial literacy programs to students.
2. The government should launch programs and campaigns to increase financial literacy awareness among the public.
3. Digital finance and digital literacy should be promoted to encourage more individuals to use digital transactions and related services.
4. Banks and financial institutions should provide easy-to-understand financial literacy resources across various platforms.

### **Conclusion:**

Financial literacy is crucial for fostering sustainable economic development. Individuals with financial knowledge demonstrate effective savings practices, use of digital finance, and

sustainable consumption habits. Therefore, enhancing financial literacy is essential for individual well-being.

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