



## Understanding the Link between Financial Literacy and Financial Behaviour: A Review

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**Abstract:** Financial literacy serves as a cornerstone in the realm of personal finance, shielding against the adverse effects of financial instability. This dissertation delves into the intricate domain of financial literacy and its profound impact on household financial decision-making within developing countries. While financial difficulties often due to low income, it is imperative to recognize that errors in financial management, like inadequate planning or imprudent credit usage, exacerbate these challenges. Despite escalating awareness and implementation of financial literacy programs, a pervasive dearth of financial literacy persists, particularly in developing nations. This study critically evaluates the relationship between financial literacy, financial preferences, and household financial decisions concerning saving and debt management. The research unveils nuanced insights into this multifaceted relationship. Findings underscore the significant impact of financial literacy on saving decisions among consumers, elucidating its pivotal role in shaping prudent financial behaviour. However, the influence of financial literacy on debt management decisions seems to be less pronounced. Interventions, such as financial literacy workshops, show short-term efficacy, though long-term effectiveness remains subject to debate.

Moreover, the correlation between financial literacy and financial decisions varies significantly across socio-demographic strata, underscoring the necessity for tailored policy approaches. This dissertation emphasizes the imperative of addressing the financial literacy deficit in developing countries to empower households with informed financial decision-making capabilities. By leveraging the insights gleaned from this research, policymakers and stakeholders can craft targeted and efficient interventions aimed at fostering financial inclusion, stability, and consumer rights protection within specific demographic segments.

**Keywords:** Financial literacy, Households, socio-demographic and leveraging.

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## Introduction

Financial literacy has evolved within the intersection of finance and technology in the past few years. Overall, financial markets and the availability of services has increased to people of all socioeconomic backgrounds, including the expanded possibilities for credit. Nevertheless, the outbreak of Global Financial Crisis in year 2008 demonstrated notable inadequacies in terms of customer financial security. Especially of the individuals who had taken the chance to benefit from easy credit without understanding their actual financial capabilities. Hence, despite multiple factors, still

exists a belief that financial literacy, if enhanced, could significantly contribute to minimizing the phenomenon in question.

According to Huston, while financial literacy is increasingly recognized as an important subject, there still was a “dearth of academic research on the topic of how to measure and understand financial literacy”. Nevertheless, over the last decade, measuring of financial literacy has become a topic of growing interest at both national and international levels. Several factors have contributed to this trend, specifically, the increased financial literacy's function in consumers' decisions and well-being following the global financial crisis.



The act of financial literacy as a fundamental prerequisite for financial inclusion, enabling the target audience to make well-informed and sound financial decisions, has been acknowledged. Subsequently, this recognition implies that financial literacy continues to be strategic policy objectives generating financial inclusion and other important policies in several countries. As for developing countries, some underprivileged countries are unable to deal with them independently, still struggling against poverty, unemployment, and underdeveloped financial environments or infrastructures. Hence, the necessity of studying consumer behaviour considering financial literacy can hardly be overestimated. Although evidence of this relationship's importance does exist, there is a considerable gap in empirical evidence, mostly from post-Soviet countries.

With a particular focus on consumers in developing nations, this dissertation seeks to fill the gap in knowledge on consumer behaviour with regard to financial literacy. The current research may impact the policy-making process in many areas, including financial stability, inclusion, and consumer protection, by looking at how financial literacy affects consumers and investigating the function of demographics, like gender, age, education, and income.

### **Background of the Study**

To raise public understanding of financial issues, financial education will be necessary. The rapid expansion of the economy demonstrates the vital function financial institutions perform in society. People should comprehend as they provide a large variety of financial services and products. People may choose a better financial instrument if they are aware of the benefits, drawbacks, rights, and responsibilities connected with it. Furthermore, the welfare depends critically on the development of confidence in certain financial goods and services. That is the reason financial education has to be given top priority because it inspires individuals to make wise choices that are advantageous to everybody. The degree of financial literacy of a person affects many facets of daily life and is essential to evaluating their well-being. More than just financial situation, poor management—such reckless credit use and inadequate financial planning—often results in stress and low self-esteem. However, knowing how to manage their own money well helps people to maximize their resources and improve their quality of life. Financial literacy, or knowing about financial ideas and techniques used to amass wealth, is necessary to reduce poverty and promote economic empowerment. Better financial choices let people live happier lives all around. Those who study about money throughout their lives may create thorough financial strategies that suit them. Financial literacy is in fact a basic need to avoid financial disasters, not just a luxury. The secret to wealth and raising living standards is sound financial management supported by strong financial literacy. It cuts across all income levels as, in the absence of sufficient financial knowledge, even those with high incomes may experience financial uncertainty. Spreading financial education is thus critically needed to provide people with the knowledge and abilities needed to manage financial products appropriately and prevent falling for dishonest businesses.

### **Objective of the Study**

Essentially, the effectiveness of financial literacy is found in its capacity to motivate people to fully enjoy life by making the most of their financial resources. Filling up the information gap

concerning consumer behaviour with relation to financial literacy is the aim of the dissertation, which focuses especially on consumers in developing countries. Examining the impact of factors like gender, age, education, and income, the research seeks to understand how financial literacy affects consumers. The dissertation aims to close this empirical data vacuum and provide policymakers direction in many domains, including financial stability, inclusion, and consumer protection.

- Measure the current financial literacy levels among consumers in selected low-income countries.
- Identify demographic factors (age, gender, education, etc.) influencing financial literacy.

### **Significance of the problem**

Understanding how to manage money is crucial for both personal and national prosperity. When individuals and families struggle with financial matters, it not only affects them directly but also ripples out to impact the broader economy. In today's rapidly evolving financial landscape, there's a notable shift happening. Responsibility for financial well-being is increasingly falling on the shoulders of households and individuals, rather than solely resting with governments and the private sector. This underscores the growing importance of financial literacy and education.

The aftermath of the global financial crisis in 2008 highlighted how important financial literacy is. It became evident that being able to make sound financial decisions is essential for maintaining global economic stability as well as people's ability to support themselves. Now, as economic trends continue to unfold, we're seeing household debt levels rise alongside decreases in wealth and income. In such a climate, the significance of promoting financial literacy and empowering effective financial decision-making is more apparent than ever.

### **The concept of financial literacy**

Keeping things consistent and intelligible requires that everyone agrees from the outset on what we mean by "financial literacy". This term is still very new in academia, and several academics have used it in different contexts. One expert assert that the first official definition was created in 1992 in a document by several other specialists, commissioned by NatWest Bank for the National Foundation for Educational Research. Financial literacy is defined by the Jump start Coalition for Personal Financial Literacy as "the ability to use knowledge and skills to manage your financial resources effectively for a lifetime of financial security". That is a very excellent and concise description. There is another group, however, and although a definition has been offered by the President's Advisory Council on Financial Literacy of the USA (PACFL), not everyone would necessarily agree with it. In their 2003 research on household financial management, Hilgert, Hogarth, and Beverly focused more on financial knowledge as they thought that financial literacy was connected to people's capacity to manage their money.

Finance constitutes an integral aspect of individuals' lives, wielding importance influence over their decision and well-being. Possessing financial knowledge empowers individuals to discern and optimize financial products, thereby facilitating prudent decision-making. Conversely, a dearth of financial acumen can

precipitate detrimental outcomes, exposing individuals to losses resulting from inflationary pressures or economic downturns, both domestically and internationally. Misconceptions about finance often manifest in wasteful spending, imprudent credit card usage, and a failure to distinguish between consumer loans and bank loans. Moreover, inadequate financial literacy impedes individuals' ability to engage in investments or access financial markets, thereby constraining their financial growth and security.

The literature surrounding individual financial planning responsibilities underscores the critical importance of early engagement in economic literacy (Financial Literacy). It emphasizes that delaying financial planning can lead to significant disadvantages, as financial mismanagement becomes increasingly challenging to rectify over time. According to their study, families are alarmingly ignorant about money matters, which results in poor financial management practices, unnecessary spending, low savings, and less than desirable returns on assets. The study did stress, although, that by increasing knowledge and encouraging savings behaviours that enhance long-term quality of life, more financial literacy may positively impact decision-making.

Developing this idea, financial literacy is a fundamental instrument for informing customers of the benefits of dealing with financial institutions. They contend that a good grasp of financial principles enables people to form beneficial contacts with financial institutions, which opens doors to financing, credit facilities, and the development of favourable financial profiles. claims that a number of personal finance factors, including as borrowing and saving patterns, investment choices, and general financial management techniques, are greatly influenced by financial literacy. Hailwood underlines the need of understanding basic economic and financial concepts and the need of using this understanding to successfully negotiate financial environments. The importance of financial literacy for enhancing overall economic well-being and encouraging wise financial decision-making is shown by this study taken together. The need of participating in financial education programs early on is stressed in order to provide people the abilities and information needed to handle challenging financial circumstances. They also highlight the possibility of better financial results and a longer-term rise in quality of life should more financial literacy have a beneficial effect on people's financial habits.

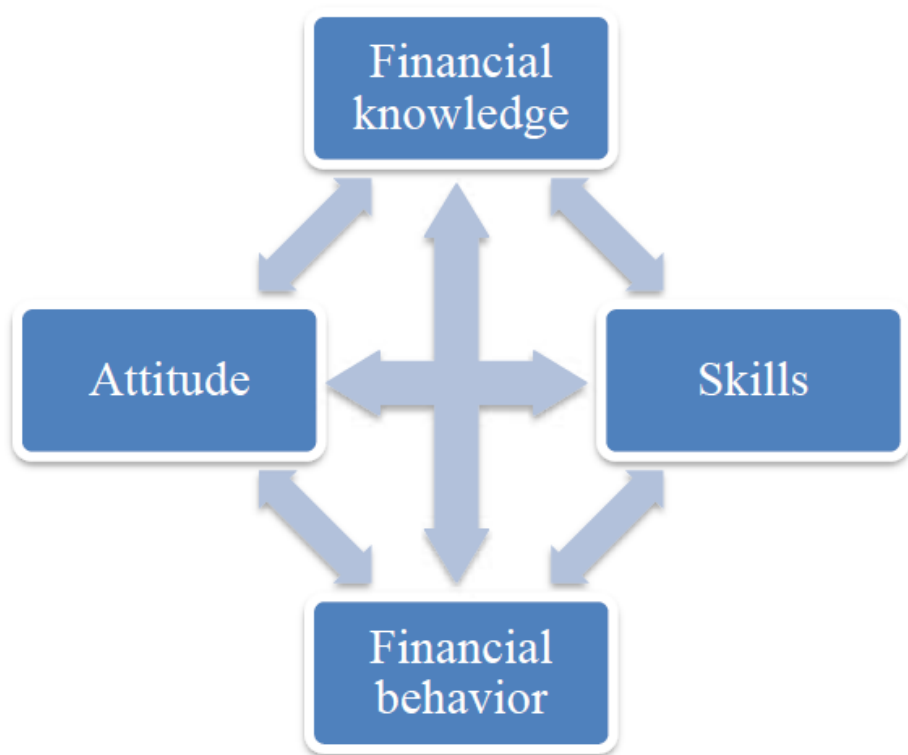


Figure 2.1 The conceptual framework of knowledge of finances (capability)

### Financial literacy implementation in developed nations

Knowing your money has grown more and more important in developed nations like the United States, especially during hard financial times. As shown by the creation of more intricate financial products resulting from the growth of the financial industry in these countries, there is a trend towards greater financial complexity. Furthermore, because defined contribution plans have become increasingly widespread, people are

approaching retirement planning in a fundamentally different manner. People's financial destiny under these plans primarily depends on their investment choices and account performance. More complications arise from the abundance of financial options available, including school loans, mortgages, and credit cards. Thus, to successfully negotiate this complicated financial climate, financial savvy people are just as crucial as businesses. Making prudent decisions today will help them in the future. As such, financial literacy initiatives in developed countries must be

implemented. These programs provide resilience and economic stability the foundation in a constantly changing financial environment.

Great lessons were gained by everybody from the US financial crisis. The financial industry was deregulated by the government and dishonest practices by consultants and financial institutions seeking to maximize profits at the cost of investors were among the factors that contributed to it. The interconnection of economies meant that this unrest impacted Americans as well as nations whose economies depended on the US. Academics were rather concerned when the crisis's wide-ranging effects highlighted the significance of having sound financial understanding and making prudent financial decisions. This emphasizes how urgently developed nations need to give financial literacy programs top attention. Through the provision of the necessary knowledge and skills, such initiatives may help lower the likelihood of future financial crises, therefore encouraging economic stability and resilience in the face of global financial challenges.

Several US non-governmental organizations have stepped up to include practical financial education into the curriculum, beginning in elementary school, realizing the crucial necessity of early financial literacy. The 1919-founded Junior Achievement program is one well-known effort at teaching entrepreneurship and job readiness in addition to financial literacy courses like "More than Money" for elementary school students and "Finance Park" for middle and high school students. Moreover, organizations like the National Financial Educator Council (NFEC), a non-profit that focuses in financial literacy education, have developed extensive curricula appropriate for Pre-Kindergarten through college students and adults. The aim of these programs is to provide people the information and abilities required to make wise financial decisions, therefore improving their general quality of life, especially in regard to financial issues. The programs mentioned above emphasize how developed nations must include financial literacy education into their systems to guarantee that people are capable of

#### **Negotiating the complexity of contemporary financial environments.**

Financial literacy is rapidly increasing in the US as well as in Germany, Italy, Sweden, the Netherlands, Japan, and New Zealand. The United States established specialized organizations like the International Network for Financial Education and the National Council on Economic Education as it recognized that financial literacy supports macro- and microeconomic growth. Better equipped to handle money, establish future plans, assess items, and make wise purchases are financially educated people. The easier execution of government economic policies, especially those related to the capital market and inflation, is made possible by this understanding of financial matters. For example, economically concerned individuals are more likely to save money than invest it when the government raises interest rates. Knowing their financial situation also helps clients to solve problems and make sensible choices. One way industrialised countries may improve the way their people manage difficult economic times and thus boost their economic resilience and well-being is to promote financial literacy.

#### **Financial literacy, social-demographics and financial decisions**

Study on the link between financial literacy and stability, inclusivity, and financial decision-making gained importance after

the 2008 global financial crisis. To design and carry out effective financial education initiatives, national decision-makers need to have in-depth understanding of the financial literacy and financial decision-making habits of the population.

Choosing financial services, controlling household wealth, saving, and retirement planning all need financial literacy. Retirement planning and saving habits may suffer especially for women, African Americans, Hispanics, and those with less education. Furthermore, favourably connected are stock market investments and financial knowledge; financially intelligent people are more likely to increase family wealth both directly and indirectly. Consumer decisions are influenced by financial literacy as well, particularly when it comes to making informed choices regarding savings, retirement, stock market participation, and borrowing given the complexity of financial products. Too much debt, which often comes from foolish and inefficient borrowing practices, significantly jeopardizes people's entire wealth. The financially savvy are better equipped to handle their debt and choose loans at reasonable costs.

Research also demonstrates a correlation between financial awareness and socioeconomic variables such as work, education, and income. Results on gender inequalities in financial literacy are inconsistent based on variables like gender, age, marital status, occupation, and income, even though some research indicate a negative association between financial awareness.

Moreover, parents are recognized to influence young people's financial ideas even if they have little effect on their financial literacy. Though many parents emphasize the necessity of financial education in schools and at home, they do not teach their kids the fundamentals of money management. Encouragement of stability and well-being in terms of money on a personal and social level depends on addressing the intricate interaction between financial literacy, economic conditions, and human behaviours. Improving financial literacy should be approached holistically in light of the different demands and challenges that different demographic groups encounter.

#### **Introduction to measurement approaches of financial knowledge in developing countries.**

Particularly in developing countries where people's ability to govern their finances affects both personal well-being and national stability, financial literacy is essential for economic development and inclusion. This dissertation explores the measurement of financial literacy in these contexts, examining the difficulties and applicability of various approaches.

Existing literature emphasizes context-specific approaches considering cultural norms, education, and economic development. Survey-based methods, commonly used, assess individuals' financial knowledge, attitudes, and behaviours, though facing challenges like low response rates and cultural biases. Qualitative approaches, such as focus groups, provide rich data but lack scalability. Some countries adopt standardized assessments from international bodies like the OECD and World Bank, aiming for global comparability but possibly overlooking local contexts.

Case studies illustrate diverse approaches' practical implementation. For instance, India may utilize culturally sensitive surveys, while Kenya may focus on community-based financial education programs.

Cultural barriers, low educational attainment, and limited financial access are some of the challenges. These difficulties do, however, present chances for creative solutions, such as collaborations with neighborhood organizations and the use of mobile technology for data collection.

In order to measure financial literacy in developing nations, complex methods taking socioeconomic, cultural, and institutional elements into account are needed. Accurate insights and successful actions that promote financial inclusion and empowerment need tailored strategies that include local stakeholders. By highlighting the necessity of context-specific approaches worldwide, this dissertation advances the conversation on financial literacy assessment.

### **Comparative Analysis of International Methodologies for Measuring Financial Literacy in Developing Countries: Challenges, Opportunities, and Policy Implications**

A comparative analysis of international methodologies for measuring financial literacy in developing countries unveils a complex landscape characterized by both challenges and opportunities, with profound policy implications. Financial literacy is increasingly recognized as a critical determinant of economic well-being and development, particularly in emerging economies where there is restricted access to financial services and education. Numerous approaches have been devised to assess financial literacy, each possessing unique advantages and disadvantages.

One prominent challenge in assessing one's financial knowledge in developing countries is the lack of standardized tools and metrics. Existing methodologies vary widely in terms of their scope, comprehensiveness, and cultural relevance, making cross-country comparisons challenging. Additionally, language barriers, cultural norms, and differences in educational systems further complicate the assessment process. As a result, policymakers face difficulties in accurately gauging the population's degree of financial literacy and pinpointing areas in need of assistance.

Despite these challenges, international methodologies provide policymakers in developing nations with insightful information and opportunities for assessing financial literacy. By adopting standardized frameworks and tools, countries can benchmark their performance in comparison to global standards and track progress over time. Moreover, comparative analysis enables policymakers to identify best practices and tailor interventions to suit their specific contexts. Lessons from successful financial literacy initiatives in one nation, for instance, can be modified and applied in other nations to produce better results.

Furthermore, comparative analysis sheds light on the contextual elements influencing financial literacy levels in developing countries. Socioeconomic factors such as income inequality, access to education, and gender disparities play a vital part in shaping individuals' financial knowledge and behaviour. By understanding these underlying determinants, policymakers can create focused interventions that support inclusive development by addressing the underlying causes of financial illiteracy.

Policy implications stemming from comparative analysis of international methodologies for measuring financial are multifaceted. Firstly, there is a need for greater collaboration and knowledge sharing among countries to improve the quality and consistency of data collection efforts. This could involve

harmonizing survey instruments, sharing best practices, and building capacity among national statistical agencies. Additionally, policymakers should prioritize investments in financial education and awareness-raising initiatives, particularly targeting vulnerable groups such as women, youth and rural population.

Moreover, the need to include financial literacy into more all-encompassing development plans is growing in recognition. Together with teaching information and skills, financial education programs should aim to empower individuals to take care of their financial destinies and make wise choices. This calls for a multisectoral approach including the business sector, civil society organizations, and governmental bodies. International approaches to assessing financial literacy in developing nations are compared, pointing out benefits as well as problems for decision-makers. Through the use of uniform standards, exchange of best practices, and consideration of contextual elements, nations may strengthen their ability to gauge, track, and raise financial literacy levels. Ultimately, encouraging equitable growth and constructing robust economies in the face of global difficulties need funding financial education and awareness-raising programs.

Global attention to financial literacy has increased, especially from legislators looking to promote financial inclusion and economic prosperity. The need of financial literacy and education was underlined globally during the 2012 G20 Presidency conference, with particular attention to how they support the goals of consumer protection and financial inclusion. National Strategies for Financial Education (NSFE), created or being developed by at least 36 nations, are meant to meet the different financial literacy requirements of their own people. Developing these plans has become essential. Surveys are the main diagnostic tool used by eighty percent of these nations to establish the priorities for their national policies.

All parties agree that financial literacy is important, but there isn't a single, widely-accepted method for assessing it. The Russian Trust Fund (RTF) and the Organization for Economic Co-operation and Development (OECD) collaborated to develop methods for measuring financial literacy, which are currently in use in 12 and 31 countries, respectively. These methodologies aim to create a unified approach for obtaining globally comparable data on financial literacy levels.

The OECD/INFE approach employs a universal method to achieve internationally comparable data, focusing on knowledge, attitudes, and behaviours related to finance. However, it may not fully reflect the specific characteristics and priorities of individual countries, lacking a separation between knowledge and skill components, thus hindering targeted policy implementation and evaluation of effectiveness.

Conversely, the WB/RTF approach begins with concentrate groups to identify manifestations of ability to pay, grouped into four thematic dimensions: preparing ahead, budgeting, and creating choices, and seeking help. While offering rich qualitative data, this strategy might not entirely coincide with domestic policymakers' priorities and fails to consider factors such as education and income levels in its assessment.

In order to tackle this problem, legislators need to consider context-specific methodologies that account for socio-economic and cultural factors. Separating knowledge and skill components,

as demonstrated by the UK's Financial Services Authority (FSA), can enhance targeted policy formulation. Moreover, incorporating thematic dimensions while considering education and income levels enables a more comprehensive assessment of financial literacy.

Enhancing financial literacy measurement in developing countries requires nuanced approaches that balance global comparability with contextual relevance. By adopting tailored methodologies that account for socio-economic diversity, policymakers can effectively identify and address the financial literacy needs of their populations, thus promoting economic empowerment and inclusive growth

### Research Methodology

Looking at the impact of commercial (financial) literacy on consumer financial choices is the aim of this research. Some

qualitative concepts were included into the mostly quantitative technique utilized for this study to provide a comprehensive examination of the research topic and question. Using secondary data sources—more especially, the Consumer Banking Association's (CBA) 2014 financial literacy assessment study—this study employs cross-tabulation and descriptive analysis to look into the connection between different aspects of financial literacy and consumer financial decisions.

#### Data Analysis:

The report uses secondary data from a 2014 financial literacy assessment survey carried out by the CBA. Secondary data analysis offers perceptive information on the study issue while saving time and money by using pre-existing datasets. The data set from the CBA research is used to look at how financial literacy influences consumer financial choices.

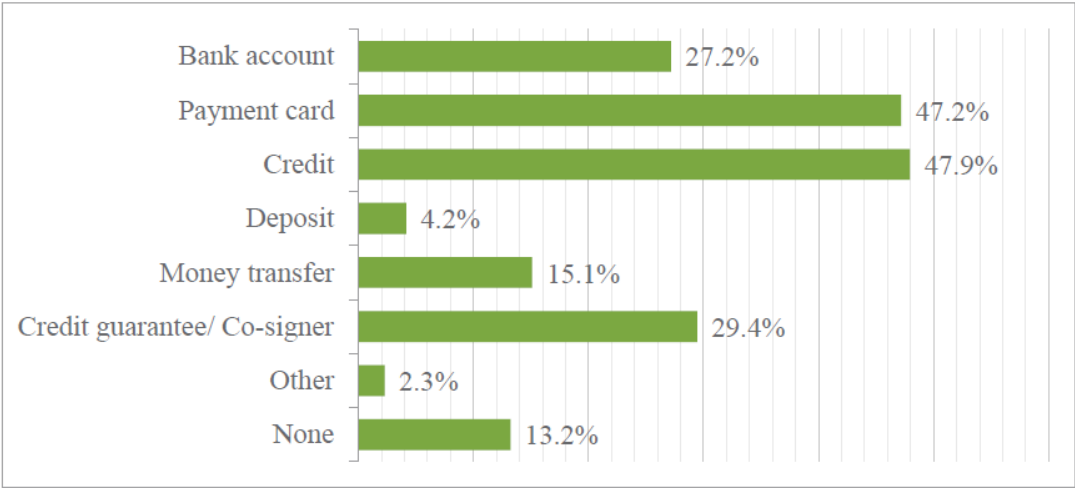


Fig 4.1 The use of financial services in treatment group

The graph above indicates that among workshop attendees, loans and credit cards are the most often used financial services. The fact that more than 47% of the participants had payment cards yet only 27% of them reported having a bank account shows a lack of comprehension about the claim that one cannot have a payment card without having a bank account. The danger of being too indebted is increased by the fact that 34% of cosigners do not have any loans and 41% of participants who do have loans also co-sign (29%). Surprisingly, just 15% of respondents said they have used money transfer services. This number ought to be higher considering the seasonal movement of workers. Little over 13% of the participants never use any financial services at all. Among the potential reasons might be a lack of trust in financial service providers, ease of access to branches and ATMs, demand for financial services, availability of information, and financial literacy.

Accessing and evaluating the secondary data supplied by the CBA research is the main approach of data collecting. The primary aspects of the dataset, like as measurements of central tendency and dispersion, are summed together using descriptive analysis

methods. By use of cross-tabulation, one may look at the relationships between different factors and ascertain if changes in consumer financial behaviour are connected to differences in financial literacy

#### Data Collection and Analysis

##### Data Collection:

The financial capability assessment carried out by the Consumer Banking Association (CBA) relies on face-to-face interviews utilizing a common questionnaire comprising 118 questions. The questionnaire is broken up into eight parts, including respondent information and seven thematic areas aligned with the scoring model. This structured approach enables a comprehensive evaluation of financial capability across various dimensions. The study targets the adult population aged 18 and above, emphasizing individual assessment over household analysis to better address the nuanced financial needs of individuals. Geographically, the study covers the entire country, encompassing both urban and rural regions to ensure broad representation.

### Sample Size and Representativeness:

With a target confidence level of 95% and a confidence interval of 2.5%, the study achieves nationwide representativeness. The sample size of 1000 respondents provide sufficient data to draw meaningful insights into the financial literacy and behaviours of the adult population. While the statistical results may not be fully representative for separate population groups due to the sample size, they offer valuable indications of common patterns and trends.

### Analysis Approach:

In conducting secondary research, a descriptive approach and cross-tabulation analysis are employed to present an overview of the country's financial literacy landscape and the financial behaviours and decision-making patterns of the adult population. This analytical method facilitates the exploration of common trends and variations across different demographic groups and geographic regions. By examining the interrelationships between various factors, things like income, gender, age and education, the analysis intends to shed light on the drivers of financial capability and inform targeted interventions to enhance financial literacy nationwide.

The study attempts to unearth important insights into the financial capability of the adult population through meticulous data gathering and strong analytical techniques. Through an emphasis on individual evaluation and the use of an extensive questionnaire, the study aims to clarify the variables influencing financial behaviours and decision-making processes. In the end, the results will aid in the creation of evidence-based tactics that advance pecuniary literacy and provide people the ability to make wise financial decisions.

### Assessment of financial literacy level

Evaluation of financial literacy in developing countries is a crucial work with major consequences for consumer financial decisions and the state of the economy overall. The significance of financial literacy in helping individuals make prudent financial decisions and deal with difficult financial situations has been acknowledged more and more in the past few years. However, in many impoverished countries access to financial resources and education

is still limited, which exacerbates already expanding inequalities in financial literacy. To bridge this gap, this study evaluates in detail how financially literate people are in developing countries and how that influences their financial decisions.

The current study attempts to assess the level of financial literacy among the population in several developing countries using secondary research. To provide a complete picture of people's financial capacity, the evaluation will incorporate key components of financial literacy—knowledge, skills, attitudes, and behaviors. Through an analysis of current studies, reports, and literature on financial literacy in poor countries, this dissertation will identify common themes, challenges, and best practices in financial education initiatives.

Furthermore, CBA will collect direct information on consumer financial habits and financial literacy levels in the target nations using primary research techniques including surveys and interviews. This approach will allow for a sophisticated examination of the socioeconomic and cultural factors influencing financial literacy and decision-making. Through the analysis of demographic factors like age, gender, level of education, and income, this research will investigate differences in the financial literacy levels across different demographic groups. Policies, financial institutions, and groups engaged in financial education initiatives in underdeveloped nations will find significant ramifications from the study's findings. Through an awareness of the extent of financial literacy and its influence on consumer financial choices, stakeholders may customize interventions to meet particular needs and encourage ethical financial practices. Moreover, recommendations made in this research will direct the development of laws, educational programs, and outreach plans meant to improve financial literacy and promote economic empowerment in underdeveloped nations.

The evaluation of financial literacy in developing countries is essential for promoting financial inclusion, reducing poverty, and fostering sustainable economic development. This study seeks to advance efforts to improve financial well-being in developing countries by examining the relationship between consumer financial decisions and financial literacy. It also hopes to provide important insights into the field of financial literacy research.

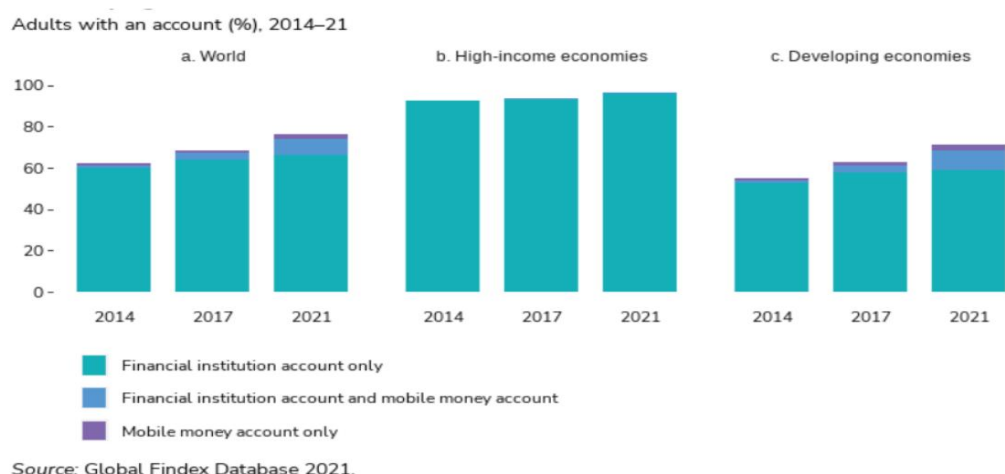


Fig.4.2 Rapid increase in account ownership

## Findings

### Quantitative Finding

#### Descriptive Statistics:

- **Demographics:** The sample included 1,000 respondents from various low-income countries, with a balanced distribution of age, gender, and education levels. Approximately 55% were female, and 45% were male, with a mean age of 34 years.
- **Financial Literacy Levels:** There were notable national differences in the quite low average financial literacy score. Of the respondents, almost 70% had basic financial understanding and only 25% were proficient in more complex financial ideas.

#### Correlation Analysis:

- A positive correlation ( $r = 0.45$ ,  $p < 0.01$ ) was found between financial literacy scores and responsible financial behaviors, such as budgeting, saving, and avoiding high-interest loans.

#### Regression Analysis:

- Model 1: Financial literacy was a significant predictor of savings behavior ( $\beta = 0.35$ ,  $p < 0.001$ ), controlling for age, gender, income, and education.
- Model 2: Financial literacy also significantly influenced debt management ( $\beta = -0.28$ ,  $p < 0.01$ ), with higher literacy associated with lower levels of problematic debt.

#### Structural Equation Modelling (SEM):

- SEM results supported the theoretical framework, indicating that financial literacy directly impacts financial decision-making (standardized path coefficient = 0.40,  $p < 0.001$ ) and indirectly affects financial well-being through improved financial behaviors.

### Qualitative Findings

#### Thematic Analysis:

##### Barriers to Financial Literacy:

- **Educational Deficits:** Many participants highlighted a lack of formal education and accessible financial education resources.
- **Cultural Norms:** Cultural attitudes towards money management and financial independence varied, influencing financial literacy and decision-making.

##### Informal Financial Education:

- **Community Influence:** Peer learning and community groups played a crucial role in imparting financial knowledge, particularly in rural areas.
- **Technology and Media:** Mobile phones and social media emerged as significant channels for informal financial education.

##### Financial Decision-Making:

- **Savings and Investment:** Participants with higher financial

literacy reported better savings habits and more prudent investment decisions.

- **Debt Management:** Deficiency in financial literacy often struggled with debt, resorting to high-interest loans and facing difficulties in repayment.
- **Risk Management:** Higher financial literacy was associated with better understanding and utilization of insurance and other risk management tools.

## Conclusion

To sum up, assessing the degree of financial literacy in developing nations and how it affects consumers' financial choices is a complex process with important ramifications for both personal and economic growth. By means of an extensive examination of extant literature and research, this dissertation has illuminated the obstacles, patterns, and prospects associated with financial literacy within the framework of developing nations.

The research's conclusions underscore the critical importance of improving financial literacy levels among populations in developing countries. Limited access to financial education and resources, coupled with socio-economic disparities, poses significant barriers to informed financial decision-making. Moreover, cultural norms and institutional factors influence individuals' attitudes and behaviors towards money management, further complicating efforts to enhance financial literacy.

This dissertation has explored the critical nexus between financial literacy and consumer behavior in developing countries, shedding light on the complex dynamics that influence individuals' financial decision-making processes. A thorough examination of the body of research and empirical analysis have yielded a number of important conclusions that shed light on the connections between consumer behavior, demography, and financial literacy.

Firstly, the study revealed that the degree of financial knowledge among consumers in developing countries varies significantly, with factors such as education, income, and access to financial resources playing pivotal roles. Despite the increased availability of financial services, many individuals still lack the expertise required to make wise financial decisions, leading to challenges in managing finances effectively and mitigating financial risks.

Secondly, the research demonstrated that financial literacy exerts a significant influence on consumer behavior, shaping attitudes towards financial products, choices about investments, and savings behaviors. Consumers were found to demonstrate more cautious financial management techniques and a stronger inclination to participate in long-term financial planning when their financial literacy levels were higher. However, disparities in financial literacy levels across demographic groups underscored the importance of targeted interventions to promote financial inclusion and empower marginalized communities.

Thirdly, the research demonstrated the relationship between financial literacy and consumer behaviour as influenced by income, gender, age, education, and other demographic variables. Gender disparities were particularly apparent when it came to financial literacy; women often had more obstacles in their way of obtaining financial information and services. Comparably, age and education have shown to be important determinants of financial

literacy; those who are younger and have greater education levels exhibit higher levels of financial literacy.

Finally, the results of the research have important consequences for the processes of developing country policy-making meant to advance consumer protection, stability, and financial inclusion. Policymakers may create focused initiatives to improve financial education and increase access to financial services, thereby allowing individuals to make informed financial choices, by knowing the factors impacting consumer behaviour and the drivers of financial literacy. A more inclusive and robust financial environment also depends on initiatives to eliminate socioeconomic inequalities, advance gender equality, and enhance educational results.

All things considered, this dissertation establishes the need of bridging the knowledge gap on consumer behaviour and financial literacy in emerging nations and lays the groundwork for further studies in this area. This study advances our knowledge of the complex relationships between financial literacy, demography, and consumer behaviour, thereby contributing to efforts to promote economic empowerment, lower poverty, and create more inclusive and sustainable financial systems in developing nations.

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