



# A RESEARCH PAPER STUDY ON IMPACT OF FINANCIAL LITERACY ON PERSONAL FINANCIAL MANAGEMENT POST COVID – 19 IN INDIA.

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## Abstract: -

This research study examines the critical link between financial literacy and personal financial management in the aftermath of India's COVID-19 outbreak. The study's goal is to look at how people's financial literacy skills have affected their capacity to navigate and manage their money in the face of economic challenges caused by this pandemic. The research investigates different factors such as savings behaviour, investment decisions, debt management, and overall financial well-being in the context of post-COVID-19 India using a complete review of current research as well as actual data. For this research project, we employed a primary data collecting technique to acquire real-time information for an investigation of financial literacy towards personal financial management during COVID 19 in India. We adopted the SPSS data analysis technique to check the reliability, which allowed us to locate the genuine data. According to the findings of this survey, the majority managing their own money by budgeting and savings, with some investing in stocks during the pandemic. Everyone has adequate financial literacy for personal financial management, regardless of their educational level or experience. The study concluded that, despite the challenges encountered due to the COVID-19 epidemic, individuals in India have displayed excellent financial literacy, as seen by their assertive approaches to budgeting, savings, and investing, regardless of educational background or experience. They all are aware of the government assistance and programmes offered throughout the epidemic to support the individual life cycle.

**Keywords:** Financial literacy, Personal financial management, COVID-19 outbreak, Savings behavior, Investment decisions, Debt management.

## Introduction: -

The COVID-19 epidemic has posed significant problems to economies throughout the world, including India. As the country deals with the pandemic's many effects, ranging from health issues to economic downturns, the significance of financial literacy and adequate personal financial management has become more apparent. Individuals across India must have adapted rapidly to changing economic situations, deal with uncertainty, and make smart financial decisions to protect their financial well-being during the COVID-19 epidemic.

Personal financial management and financial literacy are crucial parts of modern living. They include the knowledge, competencies, and attitudes that are required for individuals to make educated financial decisions,

attain financial goals, and safeguard their financial future. Financial literacy is the ability to understand and use various financial concepts and tools in order to make informed financial decisions. It includes learning how to budget, save, invest, borrow, and retirement plan for the future, etc. It provides financial security, Goal achievement, debt avoidance and investment knowledge along with the future planning options. During COVID -19 so many financial literacy and personal financial programmes and supports are provided by the government to support the economy as a whole from this pandemic situation. Such as Online Courses and Webinars, Financial Literacy in Schools and Colleges, Government Initiatives, etc. Overall, this study report provides insight into how financial literacy is essential for managing personal finances in a pandemic situation.

## Literature Review

Le Thanh Tam, Nguyen Thi Ha Trang, Ngo Thi Ngoc Anh, & Ngo Thi Thu Mai. (April 2021). Personal Financial Management Behaviours during the Covid-19 Pandemic: Evidence from Vietnam. Le Thanh Tam and colleagues investigate the characteristics of personal financial management in Vietnam during the Covid-19 pandemic. The study, which polled 477 people online, reveals important elements impacting financial behaviour. Surprisingly, financial education and attitude had no impact on personal financial management, which can be related to cultural differences in Vietnam, where family influence is crucial. Given their central role as financial mentors in Vietnamese culture, the study emphasizes the necessity of improving parental financial management capacities to strengthen individual financial resilience.

Ma, N., Yam, Ning, Wing, Siu, Tsun, Se, Cheong, Brian, & Tung. (13 December 2022). Impact of COVID-19 on lifestyle and financial behaviour. This study investigates the financial vulnerability implications of the COVID-19 pandemic, considering the complex interplay of components in the "new normal." The study conducts a literature review to identify key considerations for researching financial vulnerability, including the pandemic's impact on personal finance, the pandemic's digitization of economic activities, shifts in financial behaviour, and the growing reliance on digital technology. The pandemic's extraordinary socioeconomic issues demand a complete understanding of these interconnected factors in order to enhance research in financial vulnerability.

Anand, S., Mishra, K., Verma, V., & Taruna, T. (Year). Financial literacy as a mediator of personal financial health during COVID-19. The COVID-19 epidemic has had a global impact, affecting physical, mental, and financial wellbeing. This study using structural equation modelling to investigate the role of financial literacy programs in protecting household wealth throughout the epidemic. Snowball sampling was used to acquire 400 survey responses for a descriptive and exploratory research design. The findings show that coronavirus awareness has a direct or indirect impact on individual financial health via financial literacy. The study shows that personal finance is totally mediated by financial literacy during the pandemic, underlining the necessity of education and planning. These findings not only contribute to a better understanding of financial literacy, but also highlight management implications, implying that such programs empower individuals to make educated decisions and increase their financial resilience after the crisis has passed.

## Objectives: -

Research on the influence of financial literacy on individual financial management during the COVID-19 pandemic demonstrates an important correlation between reliable financial management and financial awareness. The primary goal of this research is to assess understanding of essential financial concepts such as debt management, investing, saving, budgeting, and financial planning in order to establish the span of financial literacy. The study will look at the link between financial behaviour and literacy levels to see if having more knowledge leads to better decisions, such as boosting savings, avoiding high-interest loans, and making well-informed investments. Furthermore, the study aims to discover any misconceptions or knowledge gaps in personal finance, with the ultimate objective of implementing focused financial education activities to address these inadequacies and encourage improved financial decision-making among individuals.

## Problem Statement

Individuals faced a variety of challenges in effectively managing their own money during the COVID-19 epidemic, which created a complex and volatile financial landscape. Many people lack the necessary information and skills to make sound financial decisions, which causes a range of financial difficulties and negative consequences. This difficulty has been accelerated by the increasing complexity of financial products, economic volatility, and shifting lifestyles.

Income Disruptions, Financial Stress, and Debt Retirement Preparedness, investment risks, and growing income inequality are a few common problems that are faced by every individual in managing their personal finances and increasing their knowledge of them.

## Hypothesis: -

H<sub>0</sub>: There is no substantial difference in the influence of financial literacy on personal financial management in India during/post COVID-19.

H<sub>1</sub>: There is substantial difference in the influence of financial literacy on personal financial management in India during/post COVID-19.

## Research Methodology: -

### Research Design: -

Research Design is a framework of research which shows the techniques used or chosen by researcher to conduct a research.

The study adopts the descriptive research design. Data is collected from the Investors and General Public.

### Research Gap

This research determining the financial literacy has increased or decreased due to COVID 19 outbreaks on personal finance management. This study examines how the epidemic has changed people's financial decisions. This involves analysing changes in saving habits, investment decisions, debt management practices, and attitudes towards financial risk during and after COVID-19. We are attempting to examine why people's financial literacy is crucial in personal finance management and how it influences it.

### Sampling Method

In our study we have used Probability sampling method where members of populations are selected randomly, everyone has right to participate in research and give their opinion.

### Sampling Frame

In our research study, a sampling frame is the collection or a resource from which the researcher chooses their samples. It essentially specifies the demographic from which the sample is drawn. In our study, we used all groups of individuals across India to gather data and solicit their opinions in order to obtain reliable information.

### Sources of Data

This study needs both primary and secondary data for research objectives. Primary data is collected using a well-structured questionnaire with Likert scale ratings. Secondary data is gathered from a wide range of published sources, including websites, e-books, and journals.

### Primary data

Here in this study we have collected primary data with help of conducting survey through well-structured questionnaire, which help us to understand the financial literacy levels among different individual towards personal financial management during COVID -19.

In this study, the sample's primary data is gathered using a questionnaire. A set of questions arranged in a specific order or format is given to the individuals in question along with a request for them to respond to the questionnaire. Likert scale is employed in the majority of the study's questions. The questionnaire is composed of questions about demographics and then questions about the variables that were used in the study. Respondents receive the questionnaire via google link and it is required of them to read it over, comprehend the questions, and then fill out the designated place on the form with their response. The questions must be answered autonomously by the respondents.

## Data Analysis and Interpretation

### Chi-Square Test

#### Frequencies

<b>V1. I believe financial literacy influenced my ability to manage finances during COVID -19.</b>			
	Observed N	Expected N	Residual
Highly satisfy	78	39.2	38.8
Satisfy	59	39.2	19.8
Neutral	54	39.2	14.8
Dissatisfy	3	39.2	-36.2
Highly dissatisfy	2	39.2	-37.2
Total	196		

<b>Test Statistics</b>	
	<b>V1</b>
Chi-Square	122.724 <sup>a</sup>
df	4
Asymp. Sig.	<.001

The Chi-Square value (122.724) represents the test statistic itself. It represents the observed difference between the data and predicted values under the null hypothesis (that there is no relationship between the variables). Higher chi-square values suggests a larger difference. The chi-square test has 4 degrees of freedom, denoted as df.

Asymptotic Significance: A value less than 0.001 indicates the test's p-value. It represents the possibility of discovering a chi-square statistic that is this severe or more excessive, if the null hypothesis is correct. A smaller p-value implies more evidence against the null hypothesis.

In this situation, with a very high chi-square value (122.724) and a very low p-value (less than 0.001), the test results strongly reject the null hypothesis, indicating that there is a statistically significant correlation between the variables we were analysed.

**V2. The financial literacy resources available post-pandemic have been helpful in improving my financial knowledge.**

	Observed N	Expected N	Residual
Highly satisfy	63	39.2	23.8
Satisfy	72	39.2	32.8
Neutral	49	39.2	9.8
Dissatisfy	8	39.2	-31.2
Highly dissatisfy	4	39.2	-35.2
Total	196		

Test Statistics	
	<b>V2</b>
Chi-Square	100.786 <sup>a</sup>
df	4
Asymp. Sig.	<.001

The chi-square test findings (Chi-Square=100.786, df=4, Asymp. Sig.<.001) indicate an important connection between access to post-pandemic financial literacy components and improved financial understanding.

Here's a breakdown of the results

- Chi-Square (100.786): The extremely high result shows a significant discrepancy between actual and predicted values, implying no relationship between financial literacy resources and knowledge gain.
- The df (degrees of freedom) of 4 indicates the number of categories used for evaluating data on financial literacy knowledge and resources progress (e.g., substantial, moderate, etc.).
- Asymptotic Significance (p-value) <.001: A p-value of less than 0.001 suggests a low chance of detecting a chi-square statistic of this level of significance or greater, assuming no relationship or null hypothesis.

**V3. Due to COVID 19 I will come to know the financial terms and concepts for managing my personal finance management.**

	Observed N	Expected N	Residual
Highly satisfy	75	39.2	35.8
Satisfy	57	39.2	17.8
Neutral	50	39.2	10.8
Dissatisfy	6	39.2	-33.2
Highly dissatisfy	8	39.2	-31.2
Total	196		

## Result

Test Statistics	
	<b>V3</b>
Chi-Square	96.704 <sup>a</sup>
df	4
Asymp. Sig.	<.001



Your chi-square test findings (Chi-Square=96.704, df=4, Asymp. Sig.<.001) show that there is a significant connection between the COVID-19 pandemic and acquiring financial the concepts and words for personal financial management. Here's the breakdown:

- The high Chi-Square value (96.704) indicates a significant difference between actual and predicted values, even if there is no correlation between the epidemic and financial management expertise.
- The df (degrees of freedom) of 4 indicates the number of categories used to analyse data on pre/post-pandemic financial understanding
- Asymptotic Significance (p-value) <.001 indicates a low chance of finding a chi-square statistic of this magnitude or greater, assuming no correlation (null hypothesis).

The test findings substantially contradict the assumption that the epidemic and developing financial management are unconnected. There is substantial evidence that this pandemic influenced people's desire in increasing their financial literacy.

## Major findings and Results of the study

### Major Findings

The research study found that during COVID-19, people are having difficulties maintaining their personal money owing to an unanticipated scenario that has disrupted the smooth functioning of the individual, corporate, and overall economies. Individuals have reduced their expenses and prioritized their needs in order to manage their finances. Findings from the research also suggest that some respondents invest in stocks and make money from them. It demonstrates that there is an influence on financial literacy and personal financial management. We discovered that, as a result of the epidemic, people's financial awareness and capacity to manage their own resources have risen to gear up for future securitization. They gained a decent understanding of how to make money and earn from investments, allowing them to meet unforeseen occurrences and protect the lives of individuals and the economy as a whole. Governments also give financial aid to society in order to make their lives easier and satisfy their most basic needs. We discovered that the government implemented debt liberalisation to help people manage their finances. They helped people form subsidiaries and take out lower-interest loans to strengthen their commercial position during the epidemic. Overall, we discovered that financial literacy is essential for managing personal finances, making life easier, and securing one's future working lifestyle. It also demonstrates that financial knowledge has risen in India following COVID-19, allowing for greater utilisation and investment alternatives.

### Result of the study

#### Reliability

Reliability Statistics	
Cronbach's Alpha	N of Items
0.761	10

Cronbach's alpha is a built-in reliability indicator that measures how closely a set of objects is related to one another. It ranges from 0 to 1, with higher values indicating greater uniformity among items. Our Cronbach's alpha coefficient is 0.761, which is good. Cronbach's alpha values of 0.7 or above are considered adequate for statistical analysis. Overall, the study's findings indicate that financial literacy has an influence on personal

financial management, suggesting that our hypothesis H1 is proven and H0 is denied. Furthermore, it is important to note that as a result of COVID 19, people are more aware of how to manage their own money, giving them the confidence to set budgets, make investments, and save in proportion to deal with identical issues in the future.

### **Limitations of the study**

Financial literacy is critical in managing personal finances, especially during difficult times like the COVID-19 epidemic. However, we found that there are numerous constraints to financial literacy that might influence good financial management during such as

1. Financial products, such as loans, insurance policies, and investment alternatives, can be complicated and difficult for those with low financial literacy to grasp. This complication can lead to poor decision-making, particularly when people are faced with immediate financial requirements.
2. Financial literacy is contingent on having access to correct and relevant information. During the COVID-19 epidemic, there was a wave of information on financial relief programmes, regulatory reforms, and market swings. Individuals with poor financial literacy may struggle to sort through this information and make sound judgements.
3. Financial literacy enables people to establish and adhere to budgets, plan for the future, and handle debt successfully. Individuals with inadequate financial literacy may struggle to gain these critical skills, making it difficult to weather financial adversities like as job loss or reduced income during the epidemic.
4. Limited financial literacy may make it difficult to get expert financial advice or help. Some people may feel ashamed or frightened by their lack of understanding, discouraging them from seeking financial advice or counselling during difficult circumstances.

To address these restrictions, we must work together to increase financial education and resource accessibility for people of all ages and backgrounds. Governments, financial institutions, and community organisations may all play an important role in delivering accessible financial literacy programmes and tools, empowering people to make educated financial decisions, especially during emergencies like the COVID-19 epidemic.

### **Conclusion**

To summarise, the COVID-19 pandemic has underlined the vital role of financial literacy in personal financial management. Despite its importance, financial literacy has limitations during times of crisis, such as COVID-19. These constraints include the complexity of financial products, limited access to information, budgeting and planning challenges, a lack of awareness of risk management, and hurdles to getting help.

However, boosting financial literacy may considerably reduce these hurdles and allow people to make educated financial decisions, handle uncertainty, and develop resilience during crises like the COVID-19 epidemic. Effective financial literacy projects should prioritise offering accessible information, tools, and assistance to people from all backgrounds. Individuals may improve their financial well-being by addressing these restrictions and encouraging financial literacy, especially in the face of incredible obstacles such as the COVID-19 pandemic.

### Suggestions

1. Conduct or attend online workshops and webinars focusing on personal money management post-Covid-19. These insights may address budgeting, saving, investing, debt management, and emergency fund preparation.
2. Make available comprehensive educational resources including as articles, films, podcasts, and e-books that particularly address the financial consequences of the pandemic and how individuals may deal with them.
3. Provide financial health tests or quizzes to assist people analyse their present financial condition and suggest opportunities for improvement.
4. Create peer learning and support groups where people may share their experiences, learn from one another, and give mutual encouragement and responsibility for managing their money after Covid-19.
5. Launch targeted financial literacy initiatives using social media, newsletters, and other communication channels to raise awareness and promote responsible financial behaviour after Covid-19.

Individuals who employ these guidelines will be better equipped with the information and skills needed to handle their own finances efficiently on uncertain happening like COVID-19.

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