

Investigation of the Correlation between Financial Behavior and Financial Literacy

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Abstract: *Financial literacy is recognized as an essential skill for individuals navigating a complex financial landscape. Financial literacy empowers individuals to make informed and astute choices in their financial endeavors. This study evaluates the level of financial knowledge possessed by individuals and investigates the relationship between financial literacy and financial behavior. The results suggest that individuals have a commendable level of financial literacy. After analyzing the financial behavior of individuals, it was found that most of them exhibited favorable financial behavior. Furthermore, it has been observed that possessing financial literacy might enhance individuals' abilities and capabilities to make well-informed choices, resulting in sound financial conduct. Therefore, it may be inferred that enhancing one's financial literacy fosters prudent management of finances. The aim of this study is to assess the level of financial literacy and its impact on financial well-being. The primary findings of this survey indicate that a majority of the participants (64%) possess a sufficient degree of financial literacy. This is an auspicious indication. Out of all the participants, 80% demonstrated a high level of understanding in important concepts such as simple interest, inflation, credit cards, and savings interest rate. Only 56% of the participants exhibited a comprehensive understanding of advanced financial literacy topics, such as long-term returns, stock market volatility, risk/return analysis for stocks and bonds, and diversification. The participants lack knowledge of fundamental financial principles, including compounding, time value of money, and credit acquisition. Furthermore, they possess a limited comprehension of intricate financial principles, including the mechanics of the stock market, bond valuation, mutual fund funding, and loan financing. The majority of the respondents exhibit positive conduct. Positive financial behavior encompasses several key areas, such as proficiently handling debt, managing personal finances, engaging in long-term planning, preparing for emergencies and managing risks, and actively seeking assistance when necessary. The relationship between financial literacy and financial conduct indicates that both fundamental and advanced financial literacy are positively correlated with financial behavior.*

Keywords: Financial literacy, enhanced financial literacy, and Financial behavior.