



Financial Literacy Among Academicians: (A Case Study of Haryana)

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Abstract

Financial literacy has become increasingly important in the modern financial environment, where individuals are required to make informed decisions regarding savings, investments, budgeting, borrowing, and retirement planning. Despite the expansion of financial services and digital financial systems in India, inadequate financial knowledge remains a significant challenge. The present study focuses on financial literacy among academicians working in higher education institutions in Haryana. It aims to analyse the factors influencing financial literacy, assess the level of financial awareness among academicians, examine the impact of financial literacy on investment decisions, and suggest measures to improve financial knowledge and financial management practices. The study also considers the role of demographic and socioeconomic factors, including age, gender, educational background, and professional characteristics, in shaping financial awareness and behaviour. Although academicians possess advanced educational qualifications and professional expertise, they may encounter challenges related to financial planning, investment choices, debt management, and retirement security. The study seeks to address the limited research attention given to financial literacy among higher education academicians and to develop a better understanding of their financial knowledge and decision-making practices. The geographical scope of the study is restricted to Haryana, encompassing academicians associated with higher education institutions in the state. The findings are expected to provide useful insights for developing targeted financial education programmes, promoting informed investment behaviour, and strengthening personal financial management among academicians. The study may also contribute to the broader objectives of financial inclusion and economic well-being by highlighting the importance of financial literacy within the academic community.

Keywords: Financial Literacy, Higher Education Academicians, Financial Awareness, Investment Decisions, Personal Financial Management, Financial Planning, Financial Behaviour, Financial Inclusion, Haryana, Financial Education

Introduction

Financial literacy is broadly defined as the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. (Remund, 2010) ^[21]. It involves the knowledge and skills necessary to make informed and effective decisions about financial resources. The importance of financial literacy cannot be overstated in today's complex financial world. With the proliferation of financial products and services, individuals are faced with an array of choices that require a sound understanding of financial concepts to navigate successfully. Inadequate financial literacy can lead to poor financial decision-making, resulting in debt, bankruptcy, and other financial hardships (Braunstein & Welch, 2002) ^[4]. Therefore, promoting financial education and literacy is crucial for individuals to achieve financial stability and success. For instance, understanding the basics

of budgeting, saving, and investing can help individuals make informed decisions about their money and ultimately improve their financial well-being. Additionally, having a strong foundation in financial literacy can empower individuals to plan for their future and achieve their long-term financial goals.

Financial literacy empowers individuals to make informed financial decisions, which in turn enhances their overall financial well-being (Taft *et al.*, 2013) ^[24]. It equips people with the tools needed to manage their finances, plan for the future, and respond to financial challenges. For instance, financially literate individuals are better equipped to create and adhere to a budget, save for retirement, and avoid high levels of debt. They are also more likely to understand the implications of financial decisions, such as taking out a loan or investing in the stock market. Additionally, financial literacy can help individuals navigate complex financial

products and services, enabling them to make sound choices that align with their long-term goals (Adiandari, 2023) ^[1]. By increasing financial literacy, individuals can build a strong foundation for their financial future and achieve greater stability and security in the long run.

The importance of financial literacy extends beyond individual benefits. At a macroeconomic level, financial literacy contributes to the stability and efficiency of the financial system. When a significant portion of the population is financially literate, it leads to more prudent financial behaviour, reducing the likelihood of financial crises. Financial literacy also supports economic growth by promoting savings and investment, which are crucial for capital formation and economic development (Lusardi & Mitchell, 2014) ^[15]. In addition, a financially literate population is better equipped to make informed decisions about borrowing, investing, and retirement planning. This ultimately leads to a more resilient economy that can withstand economic shocks and fluctuations.

Historical Context: Transition from Traditional to Modern Financial Systems

Historically, financial transactions are straightforward, involving barter trades or simple cash exchanges (Williamson & Wright, 1994) ^[26]. However, the evolution of the financial system has transformed these simple transactions into a complex web of financial instruments and markets. A sophisticated and diverse modern financial system has replaced the traditional financial system, which is known for its simplicity and limited selection of financial products. Globalisation, financial innovation, and technological advancements have driven this transition. The modern financial system now includes a wide range of services such as banking, insurance, investment, and international trade. (Cole & Slade, 1996) ^[7]. These changes have made it easier for individuals and businesses to access capital and manage their finances efficiently.

In the past, financial knowledge is often passed down through generations or learned through experience (Tehrani & Riede, 2008) ^[25]. Financial products are limited, and financial decisions are relatively simple. For example, saving is often done in physical forms, such as gold or cash stored at home. Borrowing is usually informal, involving family or community members. Investment opportunities are scarce, and financial planning is a rudimentary concept. However, with advancements in technology and the development of financial institutions, individuals now have access to a wide range of financial products and services. This has led to a greater need for financial literacy and education to navigate the complexities of modern finance.

With the advent of modern financial systems, the landscape has changed dramatically. The development of banking systems, capital markets, and financial institutions has introduced a plethora of financial products and services. Innovations such as credit cards, mutual funds, insurance products, and digital payment systems have made financial management more complex. The shift from defined benefit pension plans to defined contribution plans has also placed more responsibility on individuals to manage their retirement savings (Lusardi, 2011) ^[14]. These changes have increased the need for financial literacy and understanding among individuals. People must educate themselves on

these complexities to make informed decisions about their finances. Without a solid understanding of these financial products and services, individuals may be at risk of making poor financial choices that could have long-term consequences. Seeking out resources, such as financial literacy courses or working with a financial advisor, can help individuals navigate this complex landscape and make sound decisions for their future.

The complexity of modern financial systems necessitates a higher level of financial literacy (Braunstein & Welch, 2002) ^[4]. Individuals must now understand concepts such as interest rates, inflation, risk diversification, and financial planning. The ability to navigate this complex financial environment is crucial for making informed decisions that affect personal and economic well-being. This transition underscores the need for comprehensive financial education programmes to equip individuals with the necessary skills and knowledge. Without a solid understanding of these concepts, individuals may struggle to make informed decisions about saving, investing, and managing their money effectively. By investing in financial education, individuals can empower themselves to take control of their financial future and achieve long-term stability and success.

The Significance of Financial Literacy in India: Financial literacy plays a pivotal role in the economic stability and growth of a country, particularly in a developing nation like India. Despite being one of the fastest-growing economies, India faces significant challenges in terms of financial literacy. A large segment of the population lacks basic financial knowledge, which hinders their ability to participate fully in the formal financial system.

Economic stability is closely linked to the financial literacy of the population. When individuals are financially literate, they are better equipped to manage their finances, which leads to more stable and resilient households. This, in turn, contributes to the overall stability of the financial system. Financially literate individuals are more likely to save and invest wisely, which supports economic growth by providing the necessary capital for investment in various sectors (Agarwal *et al.*, 2013) ^[2].

Financial inclusion is another critical aspect of financial literacy in India. Financial inclusion refers to the process of ensuring access to financial services for all individuals, particularly those who are underserved or excluded from the formal financial system. Financial literacy is a key enabler of financial inclusion, as it empowers individuals to understand and use financial products and services effectively. In India, efforts to promote financial inclusion have been bolstered by initiatives such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), which aims to provide universal access to banking facilities (RBI, 2020).

However, the success of such initiatives depends largely on the financial literacy of the target population. Without the necessary knowledge and skills, individuals may not fully utilise the financial services available to them. For example, opening a bank account is a crucial first step, but individuals must also understand how to use the account effectively, save regularly, and access credit when needed. Financial literacy programmes can bridge this gap by providing education and resources to enhance financial awareness and capability.

Focus on academicians

Academicians, as members of the academic community, play a vital role in shaping the future of society through education and research. Financial literacy is particularly relevant for academicians, given their influence on the younger generation and their own financial well-being. The financial literacy of academicians impacts not only their personal financial management but also their professional responsibilities as educators and mentors.

For academicians, financial literacy is essential for effective personal financial management. Like any other professional, academicians need to manage their finances, and retirement plans, and make informed investment decisions. However, the nature of their work often presents unique financial challenges. For instance, many academicians may have irregular income streams due to research grants, consulting work, or part-time teaching positions. Additionally, they may have specific financial needs related to ongoing education and professional development (Sabri & MacDonald, 2010)^[23].

Moreover, academicians have a significant influence on their students and the broader academic community. As educators, they have the opportunity to integrate financial literacy into their teaching, regardless of the subject they teach. By incorporating financial concepts into their curriculum, they can help students develop the skills and knowledge needed to manage their finances effectively. This is particularly important in higher education, where students are preparing to enter the workforce and face real-world financial challenges (Way & Holden, 2009)^[27].

Furthermore, academicians are often involved in research that can contribute to the understanding of financial literacy and its impact on individuals and society. By researching financial literacy, academicians can provide valuable insights that inform policy and practice. For example, studies on the financial behaviour of different demographic groups can help identify specific needs and inform the design of targeted financial education programmes (Lusardi *et al.*, 2016)^[16].

In summary, the financial literacy of academicians is crucial for their personal financial well-being and their professional responsibilities. Enhancing the financial literacy of academicians can have a ripple effect, benefiting not only the individuals themselves but also their students and the broader academic community. This underscores the importance of targeted financial literacy programmes and resources for academicians to support their financial education and management.

Statement of the Problem

The Current State of Financial Literacy in India

Financial literacy in India remains a significant challenge, despite the country's rapid economic growth and modernization. Various studies have highlighted the low levels of financial literacy among the Indian population. According to a survey by Standard & Poor's in 2015, only 24% of Indian adults are financially literate, meaning they understood basic financial concepts such as interest rates, inflation, and risk diversification (Klapper, Lusardi, & Panos, 2015)^[13]. This statistic is starkly lower than the global average, underscoring the urgency of addressing financial literacy in India.

The lack of financial literacy in India has far-reaching implications. Many individuals lack the knowledge required to make informed decisions about savings, investments, insurance, and retirement planning. This deficit is particularly pronounced in rural areas, where access to financial education and resources is limited. The Reserve Bank of India (RBI) and other financial institutions have initiated various programmes to promote financial literacy, but the impact has been uneven, with significant disparities between urban and rural populations, as well as among different socio-economic groups (RBI, 2020).

Moreover, the Indian financial landscape is characterised by a high reliance on traditional savings methods, such as gold and real estate, rather than more diversified investment portfolios. This conservative approach often leads to suboptimal financial outcomes, limiting the potential for wealth accumulation and economic growth. The tendency to avoid formal financial instruments can also be attributed to a lack of trust in financial institutions and a limited understanding of financial products (Agarwal *et al.*, 2013)^[2]. Enhancing financial literacy is, therefore, crucial to transforming India from a nation of savers to a nation of informed investors.

Specific challenges faced by academicians

Academicians, despite their high levels of education and intellectual engagement, are not immune to the challenges posed by financial illiteracy. The demands of academic life, characterised by heavy workloads, research obligations, and teaching responsibilities, often leave little time for personal financial management. As a result, many academicians may lack the necessary skills to manage their finances effectively, plan for retirement, or make informed investment decisions (Sabri & MacDonald, 2010)^[23].

One specific challenge faced by academicians is the irregularity of their income streams. Unlike traditional salaried employees, many academicians receive income from various sources, including research grants, consulting fees, and part-time teaching positions. This variability can complicate financial planning and budgeting, making it difficult for academicians to maintain financial stability. Furthermore, the pursuit of advanced degrees and ongoing professional development often entails significant financial costs, which can strain personal finances (Lusardi *et al.*, 2016)^[16].

Another challenge is the lack of targeted financial education programmes for academicians. While there are numerous resources available for general financial education, few are specifically designed to address the unique needs and circumstances of those in the academic profession. This gap means that academicians may not receive the tailored guidance they need to navigate their financial situations effectively. Additionally, the high-pressure environment of academia can lead to stress and burnout, further hindering individuals' ability to manage their finances proactively (Way & Holden, 2009)^[27].

Need for the Study

There is a clear and pressing need for comprehensive research into the financial literacy of academicians in India. Despite the crucial role that academicians play in society, there is a surprising lack of detailed studies examining their

financial literacy levels and the specific challenges they face. This gap in the literature is concerning, as it suggests that many academicians may be operating without the necessary financial knowledge and skills to ensure their long-term financial security (Lusardi & Mitchell, 2014)^[15]. Addressing these gaps is vital for several reasons. First, improving financial literacy among academicians can enhance their personal financial management, reduce stress, and improve their quality of life. Financially literate academicians are better equipped to plan for their futures, manage debts, and make informed investment decisions. This, in turn, can lead to greater financial stability and security, both during their careers and in retirement (Agarwal *et al.*, 2013)^[12].

Objectives of the Study

- To Analyse the Factors Influencing Financial Literacy Among Higher Education Academicians in Haryana
- To Assess the Awareness of Financial Literacy Among Academicians
- To study the impact of financial literacy on investment decisions
- To provide suggestions for improving financial literacy among academicians

Significance of the Study

This study aims to significantly contribute to the existing body of knowledge on financial literacy, particularly in the context of academicians in higher education. While there is extensive research on financial literacy among the general population, specific studies focusing on academicians are limited. By exploring the financial literacy levels, awareness, and behaviours of academicians in Haryana, this research will fill a critical gap in the literature. It will provide a nuanced understanding of how educational attainment and professional responsibilities influence financial literacy, which can be used as a reference point for further studies in this area.

Additionally, the study's findings will contribute to the theoretical frameworks surrounding financial literacy. It will examine the interplay between financial literacy and various demographic factors, such as gender, age, and subject expertise. By analysing these relationships, the study can offer insights into how financial literacy is distributed among different segments of the academic community. This can inform the development of more comprehensive and inclusive models of financial literacy that take into account the unique needs and circumstances of academicians (Lusardi & Mitchell, 2014)^[15].

Scope of the Study

The geographical scope of this study is confined to the state of Haryana, a region in northern India known for its rich educational landscape. Haryana is home to numerous higher education institutions, including universities, colleges, and research centres. This focus on Haryana provides a manageable and relevant context for examining the financial literacy of academicians. By concentrating on this specific region, the study aims to generate insights that are both detailed and applicable to the local context, while also providing a basis for comparison with other regions in future research.

Haryana has been selected due to its diverse educational ecosystem, which includes a mix of public and private institutions. The presence of both types of institutions allows for a comparative analysis of financial literacy among academicians working in different environments. This regional focus also facilitates a thorough exploration of how local socioeconomic factors, educational policies, and institutional resources impact financial literacy levels. The findings from Haryana can help tailor financial education programmes to better meet the needs of academicians within the state and potentially offer lessons for other regions with similar characteristics (Rana & Kaushal, 2014)^[20].

Limitations of the Study

One significant limitation of this study is its geographical restriction to the state of Haryana. While focusing on a specific region allows for a detailed and context-specific analysis, it also limits the generalizability of the findings. Haryana, located in northern India, has unique socioeconomic and cultural characteristics that may influence the financial literacy of its residents differently compared to other regions. For instance, Haryana has a relatively high literacy rate and a strong agricultural base, which might impact financial behaviours and attitudes uniquely (Government of Haryana, 2020)^[10].

The findings derived from this study may not fully apply to academicians in other Indian states or countries with different educational systems, economic conditions, and cultural backgrounds. Different regions may face varying levels of access to financial resources, educational opportunities, and institutional support, which can significantly affect financial literacy outcomes. Therefore, while the study provides valuable insights into the financial literacy of academicians in Haryana, caution should be exercised when extrapolating these results to broader populations.

Conclusion

In this introductory chapter, we have outlined the foundational aspects of the study on financial literacy among higher education academicians in Haryana. The chapter began with an overview of the background of financial literacy, emphasising its critical importance in today's complex financial environment. We highlighted the transition from traditional to modern financial systems, illustrating how this shift necessitates a higher level of financial literacy for effective financial management and decision-making.

The chapter then provided a detailed statement of the problem, examining the current state of financial literacy in India, particularly among academicians. We identified specific challenges faced by academicians and highlighted the need for the study by pointing out gaps in existing research. These gaps underscore the importance of addressing financial literacy to improve financial decision-making and security among academicians.

We articulated the primary and secondary objectives of the study, which include analysing the factors influencing financial literacy, assessing awareness levels, studying the impact of financial literacy on investment decisions, and providing recommendations for improving financial literacy. The chapter also presented hypotheses related to

financial awareness and investment behaviour, setting the stage for empirical testing and analysis.

The significance of the study is discussed in terms of both academic and practical implications. Academically, the study aims to contribute to the body of knowledge on financial literacy and provide insights for educators and policymakers. Practically, it seeks to benefit academicians by enhancing their personal financial management and contributing to broader financial inclusion and economic stability.

We delineated the scope of the study, focusing on higher education academicians in Haryana and including a diverse range of universities, colleges, disciplines, and demographic factors. The limitations of the study are acknowledged, addressing geographical, population, and methodological constraints.

Key terms such as financial literacy, personal financial planning, and academician are defined to establish a clear conceptual framework for the study. Finally, the structure of the paper is outlined, providing a roadmap for the reader to understand the logical progression from the introduction to the conclusion, including a description of research methods and analytical techniques.

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