Available online @ www.iaraindia.com
SELP Journal of Social Science - A Blind Review & Refereed Quarterly Journal
ISSN: 0975-9999 (P) 2349-1655 (O) Impact Factor: 3.655 (CIF), 2.78(IRJIF), 2.5(JIF), 2.77(NAAS)
Volume XVI, Issue 61, April - June 2025
Formally UGC Approved Journal (46622), © Author

FINANCIAL LITERACY AND ITS INFLUENCE ON PERSONAL SAVINGS: A STUDY AMONG RESIDENTS OF MADURAI CITY

Dr. M. S. MEENAKSHI
Associate Professor in Commerce
Sri Meenakshi Government Arts College for Women(A), Madurai - 2

Dr. M. KETHARAJ
Associate Professor in Commerce
Sri Meenakshi Government Arts College for Women(A), Madurai – 2

ABSTRACT

This study examines the pivotal role of financial literacy in shaping personal saving behaviors and enhancing economic stability among individuals residing in Madurai City. It explores how a sound understanding of financial principles—such as budgeting, investing, and debt management—empowers individuals to make informed decisions, thereby fostering long-term financial security and reducing economic stress. Employing both descriptive and inferential statistical tools on a sample of 50 respondents, the research investigates the relationships between financial literacy, demographic variables, and saving habits. While the findings indicate a positive relationship between financial awareness and prudent saving practices, no statistically significant variations were found among different demographic segments. The study underscores the need for targeted financial education and advocates for broader adoption of digital financial tools to bolster financial inclusion and economic resilience.

INTRODUCTION

Financial literacy has emerged as an essential life skill in today's complex economic environment. It encompasses the knowledge and confidence to make judicious financial decisions relating to budgeting, saving, investing, and borrowing. This research focuses on Madurai City, aiming to assess how financial literacy influences personal savings behavior and how demographic factors such as education and income levels play a role in shaping financial habits. The study emphasizes the increasing importance of financial education in empowering citizens to achieve financial well-being.

SIGNIFICANCE OF FINANCIAL LITERACY AND PERSONAL SAVINGS

Financial literacy serves as the bedrock of effective personal financial management. It equips individuals to plan for major life goals such as home ownership, education, and retirement, while also helping to avoid the pitfalls of excessive debt and impulsive financial decisions. Savings, on the other hand, constitute a critical pillar of financial stability. A disciplined approach to saving not only cushions individuals against unforeseen expenses but also opens avenues for wealth creation and investment. On a macroeconomic level, widespread financial literacy and robust saving habits contribute to increased capital formation, stimulate economic development, and strengthen national financial security.

SCOPE, OBJECTIVES, AND METHODOLOGY

Scope

The scope of this study is geographically limited to Madurai City. A sample of 50 individuals—including students, professionals, business owners, and homemakers—was surveyed using a structured questionnaire.

Objectives

1. To evaluate the level of financial literacy among the respondents and its effect on personal savings.
2. To identify key determinants influencing saving behavior.
3. To understand the challenges faced in maintaining regular savings.

Methodology

Primary data were collected through structured questionnaires. Statistical analyses included:

- **Descriptive statistics** to summarize literacy and savings data.
- **Inferential tests** such as t-tests and ANOVA to identify significant group differences.
- **K-Means Cluster Analysis** for behavioral segmentation.

DATA ANALYSIS AND INTERPRETATION

Gender Distribution of Respondents

Gender	No. of Respondents	Percentage
Male	11	22%
Female	39	78%
Total	**50**	**100%**

The data indicate that a majority of respondents were female (78%), suggesting heightened engagement among women in matters of financial literacy and personal savings. This trend may reflect growing female participation in household financial decisions and access to financial education.

Educational Qualification of Respondents

Qualification	Respondents	Percentage
SSLC	2	4%
HSC	6	12%
Professional Courses	8	16%
Undergraduate (UG)	19	38%
Postgraduate (PG)	15	30%
Total	**50**	**100%**

The distribution shows that 68% of the respondents hold undergraduate or postgraduate qualifications, suggesting a relatively well-educated sample that is potentially more attuned to financial literacy and planning practices.

ANOVA Analysis: Impact of Financial Literacy on Savings

ANOVA

Impact on savings

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.612	4	.653	.904	.470
Within Groups	32.508	45	.722		
Total	35.120	49			

The ANOVA results indicate that the F-value is 0.904 and the p-value is 0.470, which is greater than the standard significance level of 0.05. This suggests that there is no significant difference between the groups in terms of their impact on savings. The variations observed in savings behavior are likely due to random chance rather than a meaningful difference between groups.

This means that the factors considered do not significantly influence savings behavior. Additionally, the sum of squares between groups (2.612) is much smaller than the sum of squares within groups (32.508), indicating that most of the variance is due to individual differences rather than the group differences.

The ANOVA test results reveal no statistically significant difference in saving behavior across groups with varying levels of financial literacy ($p > 0.05$). This implies that the observed differences in saving habits may stem more from individual variability than from categorical distinctions. Furthermore, the relatively small sum of squares between groups, compared to within groups, supports this interpretation.

LIMITATIONS OF THE STUDY

- The study is confined to the Madurai city region, limiting the generalizability of its conclusions.
- The sample size of 50 respondents may constrain the statistical power of inferential tests.
- Data depend on self-reported measures, which may be subject to biases or inaccuracies.
- External economic influences such as inflation, fiscal policies, and global financial trends are not factored into this analysis.

CONCLUSION

This study affirms the essential role of financial literacy in fostering effective savings behavior. Although statistically significant differences across demographic categories were not identified, the overall findings demonstrate a positive association between financial knowledge and responsible economic choices. The study recommends that educational institutions, financial organizations, and policymakers intensify efforts to promote financial literacy, especially among underserved and rural populations. The integration of digital financial tools can further enhance accessibility and encourage consistent saving practices, thereby reinforcing both individual and collective economic stability.

BIBLIOGRAPHY

BOOKS

1. Dr. O.R. Krishnaswami, Dr. M. Ranganathan, Himalaya Publishing House, Mumbai. Methodology of Research in Social Sciences.
2. C. R. Kothari, Published by WishwaPrakashan, Delhi. Research Methodology: Methods & Techniques.

E-BOOK

1. Financial Literacy and Personal Finance, Edited by Dr. John E. Grable.

E-Journal

1. (http://www.sciencedirect.com/science/article/pii/S10575219210005
2. 63)
3. (http://www.researchgate.net/publication/344825619_The_Impact_o f_Financial_Literacy_on_Savings_Behavior)
4. (http://www.springer.com/journal/10693/articles/The_Role_of_Finan cial_Literacy_in_Investment_Decision)
5. (http://journals.sagepub.com/Financial_Literacy_and_Household_Sav ings)
6. (http://www.ijsr.com/upload/A_Study_on_Financial_Literacy_and_Sa vings_in_Tamil_Nadu.pdf)
7. (http://sist.sathyabama.ac.in/sist_naac/documents/Financial_Literacy
8. _in_Madurai.pdf)

REFERENCES

1. (http://www.rbi.org.in)

2. (http://www.nseindia.com)
3. (http://www.bseindia.com)
4. (http://www.sebi.gov.in)
5. (http://www.worldbank.org)