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A COMPREHENSIVE ANALYSIS OF FINANCIAL LITERACY AND ITS CONTRIBUTION TO SUSTAINABLE FINANCIAL PRACTICES AMONG RURAL STUDENTS IN DISTRICTS OF HIMACHAL PRADESH

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ABSTRACT

This study looks at financial literacy levels among rural higher education students in districts of Himachal Pradesh, India. As financial literacy becomes increasingly essential in navigating complex economic environments, understanding its role in shaping sustainable financial behaviors is crucial. The research investigates the current state of financial knowledge among rural students, focusing on their abilities in budgeting, saving, investing, and managing financial risks. Utilizing a mixed-method approach, data were collected from students aged 18–23 from diverse academic backgrounds through structured questionnaires and in-depth interviews. The findings reveal significant disparities in financial literacy levels across different districts, influenced by socio-economic factors, access to financial educationThe study uses a sample of 520 students aged 18-25 from diverse academic disciplines to investigate the relationship between financial literacy and environmental sustainability awareness. The study used a structured questionnaire methodology to collect data on demographics, educational background, and attitudes towards financial literacy efforts. While 58.1% of students exhibit an interest in learning about financial-environmental linkages, standard financial management programs are met with significant skepticism (54.8%). The results show a gender distribution of 54.8% female and 45.2% male respondents, with the majority (42.5%) being second-year students. Parental literacy levels are moderate, with 34.2% of fathers and 33.8% of mothers completing secondary education.The study found that 80.6% of students rely primarily on parental support for their education financing. The findings reveal significant disparities in financial literacy levels across different districts and suggest a complex relationship between financial literacy, environmental sustainability awareness, and educational background in rural higher education settings.

Keywords: Financial Literacy, Sustainable Development, Rural Education, Financial Awareness, Financial inclusion, Financial decision-making

1. INTRODUCTION

Financial literacy plays a vital role in empowering individuals to make informed financial decisions and secure a sustainable future (Lusardi & Mitchell, 2014). In today's complex economic landscape, where financial products and services are becoming increasingly diverse, it is essential to equip individuals with the knowledge and skills necessary to navigate the financial world effectively (OECD, 2019). Unfortunately, a significant portion of the population, particularly in rural areas, lacks the necessary financial literacy, limiting their ability to make sound financial choices. The sustainability of a developing country's economy, such as India's, is dependent on the depth of its financial sector, which is dependent on the financial literacy level of its population and demand for financial products and services. The type of financial education provided to investors influences their level of financial literacy. Financial education is the process of improving consumers' and investors' understanding of financial products and concepts. The government, policymakers, and regulators have made significant efforts to promote financial education and literacy. The Investor Education and Protection Fund (IEPF), established by the Indian government, provides funding for initiatives aimed at investor empowerment, education, and protection. In order for investors to make effective investment decisions, IEPF equips them with the knowledge, abilities, and information they need. Oanea and Dornean (2013) reviewed the domestic and international literature for the definition of terms "financial" and "literacy", for a better understanding of these two concepts. Their definition is brief and clear with the emphasis on the financial awareness. "Financial literacy implies a person's minimal knowledge about financial terms such as money, inflation, interest rate, credit and others, and the abilities and skills of that person to use all this information in personal life, being aware about the consequences of its financial actions." Financial Literacy is generally considered as special knowledge related to how an individual manages his or her financial (Ummy Kalsum, Buyung Sarita, Edi Cahyono & Andi BasruWawo 2018). Financial literacy helps general public in understanding the needs and benefits of the products and services offered by the banks and accelerate the pace of financial inclusion (RBI 2013). 'Financial literacy is the ability to make informed judgments and to take effective decisions regarding the use and management of money.' (Noctor et al. (1992).

Personal financial literacy is the ability to read, analyze, manage and communicate about the personal financial conditions that affect material wellbeing. It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future and respond competently to life events that affect every day financial decisions, including events in the general economy' (Vitt et al. (2000).

Financial literacy is a basic knowledge that people need in order to survive in a modern society' (Kim (2001). Financial knowledge is defined as understanding of key financial terms and concepts needed to function daily in the society' (Bowen (2003). Financial literacy refers to a person's ability to understand and make use of financial concepts' (Servon and Kaestner (2008). Financial literacy is a process that promotes financial inclusion through which an individual develops an understanding and skills in utilizing, spending, and saving money as well as enhancing his or her ability in decision making for using of financial resources. Financial literacy is a conglomeration of awareness, knowledge, skills, and behaviour towards financial well-being resulting in ultimate financial stability. It not only inculcates one's knowledge but also focuses on financial inclusion by educating various segments of the society, especially the vulnerable sections through financial literacy programmes. Financial literacy is a conglomeration of awareness, knowledge, skills, and behaviour towards financial well-being resulting in ultimate financial stability. It enables individuals to manage their own finances and equips them to avoid financial crisis. Financial literacy promotes financial capability among the vulnerable sections through access in savings, credit, transaction, loans, planning etc. thus resulting in sustainable income generation for combating poverty (OECD, 2013; Huston, 2010). It is not only the enhancement of skills and knowledge but encouraging an individual in decision making on effective monetary management. Imparting knowledge on various means of financial literacy affects financial behaviour (Lusardi & Mitchell, 2014), it is essential to value people's capacity of accepting basic financial concepts and the extent to which financial skills short among the vulnerable sections namely women and poor. Financial literacy is defined as an individual's understanding of the fundamental functions of money and markets. It is the process by which individuals gain an understanding of their financial situation and learn how to strengthen it over time by instilling financial habits such as saving, budgeting, and planning, and thus making the right financial decisions. Financial literacy is essential these days for everyone to make basic financial decisions.

OECD INFE has defined financial literacy as "A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing". In today's rapidly evolving and interconnected world, financial literacy has emerged as a cornerstone for fostering sustainable futures. Defined as the ability to understand and effectively manage personal finances, financial literacy plays a crucial role in equipping individuals with essential skills to navigate modern economic complexities. However, in rural regions such as Mandi, Himachal Pradesh, financial literacy faces significant barriers due to limited access to financial education, lack of digital banking adoption, and socio-economic constraints. Financial literacy extends beyond basic money management to encompass broader aspects of sustainability and resilience. It empowers individuals with the knowledge and capabilities to make informed decisions that promote long-term economic well-being and financial security. Competencies such as budgeting, saving, investing, and debt management enable individuals, particularly rural students, to manage financial risks effectively and enhance economic opportunities in their communities. A strong financial foundation allows individuals to plan for future needs, reduce economic vulnerabilities, and foster financial independence. Rural students, in particular, benefit from comprehensive financial education as it prepares them to take advantage of economic opportunities, improve their career prospects, and contribute to local development. By integrating sustainable financial practices with economic education, students can better navigate evolving market dynamics, mitigate risks associated with income fluctuations, and cultivate responsible consumer habits.

2. RESEARCH METHODOLOGY

The study was conducted in districts of Himachal Pradesh, focusing on rural areas where higher education institutions are present. These villages were purposively selected based on the concentration of rural higher education students to ensure relevant data collection.

For this present study, Himachal Pradesh, an Indian state, has been taken as the area of the study. A combination of purposive, multistage, and random sampling techniques was employed to select the respondents, ensuring a diverse and representative sample from the study area. In this present study, the sample of 520 students in the age group of 18-23 belonging to different faculties of Arts, Commerce, and Science. These respondents will be from district Mandi. The study focused on rural higher education students enrolled in various disciplines.

The convenience sampling process minimized bias and ensured diversity in terms of gender, academic background, and socio-economic status. Primary data was collected through structured questionnaires and face-to-face interviews. The questionnaire focused on the students' awareness, knowledge, and attitudes toward financial literacy, including budgeting, saving, investing, and financial planning. The collected data was coded and analyzed using descriptive and inferential statistical methods.

3. RESULT AND DISCUSSION:

The Statistical Package for the Social Sciences (SPSS) 28.0 was used to perform the statistical analysis for the data analysis. The most crucial aspect of every study is data analysis and interpretation. Every study project revolves around it. Large amounts of data must be analyzed in order to create a meaningful unit, and interpretation describes the message that this meaningful unit conveys within the framework of the study. Therefore, the act of giving meaning to the information gathered is known as data analysis and interpretation.

Table 4.8: Combined Demographic Data of Respondents

Demographic Variable	Category	Frequency	Percent
Gender	Male	235	45.2
	Female	285	54.8
Age Group	18–20	178	34.2
	21–23	158	30.4
	23–25	184	35.4
Academic Standard	1st Year	146	28.1
	2nd Year	221	42.5
	3rd Year	113	21.7
	Postgraduate (PG)	40	7.7
Father's Qualification	No Schooling	54	10.4
	Matriculation	135	26.0
	Secondary	178	34.2
	Graduation	153	29.4
Mother's Qualification	No Schooling	73	14.0
	Matriculation	137	26.3
	Secondary	176	33.8
	Graduation	134	25.8
Source of College Funding	Parents (100%)	226	43.5
	Mostly Self (More than 50%)	98	18.8
	Mostly Parents (More than 50%)	193	37.1
	Relatives	3	0.6
Faculty of Department	Commerce	97	18.7
	Arts	141	27.1
	Science	188	36.2
	Computer Science	94	18.1

Table 4.1 shows the demographic data of 520 respondents reveals a diverse and balanced sample. Female respondents (54.8%) slightly outnumber males (45.2%), indicating a near-equal gender representation. The

majority of respondents fall within the 23–25 years age group (35.4%), closely followed by the 18–20 years (34.2%) and 21–23 years (30.4%) groups, reflecting the typical age range of undergraduate and early postgraduate students. Academically, 2nd-year students make up the largest portion (42.5%), followed by 1st-year (28.1%), 3rd-year (21.7%), and postgraduate students (7.7%), suggesting greater participation from those in the middle of their academic journey. In terms of parental education, most fathers have completed secondary education (34.2%) or graduation (29.4%), while a notable proportion (10.4%) have no formal schooling. Similarly, mothers predominantly have secondary education (33.8%) and matriculation (26.3%), with 14% having no formal schooling, indicating varying socio-economic backgrounds. The primary source of college funding is parental support, with 43.5% of students fully funded and 37.1% partially funded by parents, while 18.8% are mostly self-funded. Academically, the Science faculty has the highest representation (36.2%), followed by Arts (27.1%), Commerce (18.7%), and Computer Science (18.1%). Overall, the data reflects a diverse mix of students across gender, age, academic level, and financial backgrounds, providing a comprehensive view of the respondent population.

Table 4.2: Status of Respondents with Respect to Their Strategies to Promote Sustainable Environment

S.No	Statement	YES	NO
1	Should the college offer workshops on basic financial management, including budgeting and saving?	235 (45.2)	285 (54.8)
2	Is it beneficial to introduce courses that integrate environmental sustainability into the curriculum?	302 (58.1%)	218 (41.9%)
3	Do you believe that involving parents and guardians in financial literacy and sustainability initiatives would positively impact students' learning outcomes?	290 (56%)	230 (44%)
4	Should the college collaborate with local financial institutions to provide students with access to financial literacy resources?	235 (45.2%)	285 (54.8%)
5	Is it important to establish a student-led sustainability committee to initiate and oversee campus-wide initiatives promoting eco-friendly practices?	290 (56%)	230 (44%)
6	Should financial literacy and sustainability education start at an early age, even in primary schools in rural areas?	302 (58.1%)	218 (41.9%)
7	Should community-based organizations collaborate with schools to provide workshops on financial management and sustainability practices?	290 (56%)	230 (44%)
8	Do you think managing finances wisely can contribute to environmental sustainability?	235 (45.2%)	285 (54.8%)
9	Would you be interested in learning more about how financial decisions affect the environment?	302 (58.1%)	218 (41.9%)
10	Do you like to participate in programs that teach both financial literacy and environmental sustainability?	290 (56%)	230 (44%)
11	Do you like to learn more about finance and the environment?	235 (45.2%)	285 (54.8%)

Table 4.2 shows the respondents' perspectives on various strategies aimed at promoting sustainable environments, focusing on financial literacy, education, and community involvement. The responses reveal a mixed level of interest and support across different initiatives.

A **majority of respondents (58.1%)** support the **integration of environmental sustainability into the curriculum**, indicating strong interest in topics like sustainable agriculture and renewable energy. Similarly, **58.1% believe that early education** on financial literacy and sustainability in rural primary schools is important, emphasizing the value of starting awareness at a young age.

Involving **parents and guardians in sustainability and financial literacy initiatives** is supported by **56%** of respondents, suggesting that family involvement could enhance students' learning outcomes. Additionally, **56% favor establishing student-led sustainability committees** and engaging **community-based organizations** to conduct workshops, highlighting the importance of both peer-led and community-driven initiatives.

However, there is noticeable skepticism regarding traditional financial management approaches. **54.8% of respondents do not support workshops** on basic financial management like budgeting and saving, nor do they favor **collaborations with financial institutions** for such resources. This reflects a potential disconnect between traditional teaching methods and students' evolving learning preferences.

Interestingly, while **58.1% are interested in understanding how financial decisions affect the environment**, only **45.2% believe that managing finances wisely contributes directly to environmental sustainability**. This indicates curiosity about the topic but a lack of clear understanding of the link between financial practices and environmental outcomes.

Finally, while **56% are interested in participating in programs** combining financial literacy and environmental sustainability, a significant portion (**54.8%**) are **not interested in learning more about finance and the environment**, suggesting that program design should be engaging and relatable to sustain interest.

4. FINDINGS AND RECOMMENDATIONS.

The research findings illuminate several crucial aspects of financial literacy and sustainability awareness among rural higher education students in Himachal Pradesh. First, there is a clear indication of students' interest in integrated learning approaches, with 58.1% supporting the incorporation of environmental sustainability into the curriculum. However, the skepticism towards traditional financial management workshops (54.8% opposed) suggests a need for innovative educational approaches that better align with students' interests and needs. The strong parental role in education financing (80.6% of students primarily dependent on parents) highlights the importance of including family members in financial literacy initiatives. This is further supported by the 56% of respondents who believe in the positive impact of involving parents in financial literacy and sustainability programs. The study reveals a generational shift in educational attainment, with current students pursuing higher education despite relatively moderate parental education levels. This suggests an opportunity to leverage this educational momentum for enhanced financial literacy and sustainability awareness.The gender distribution (54.8% female) indicates increasing educational access for women in rural areas, presenting an opportunity for targeted financial literacy programs that consider gender-specific needs and challenges.

Recommendations for future initiatives include:

1. Developing integrated curricula that combine financial literacy with environmental sustainability
2. Creating family-inclusive financial education programs
3. Establishing student-led sustainability committees to promote peer learning
4. Fostering partnerships between educational institutions and community organizations

These findings contribute to the growing body of research on financial literacy in rural India and provide practical implications for educational policy and program development. Future research should explore the long-term impact of integrated financial-environmental education programs and their role in promoting sustainable development in rural communities.

CONFLICTS OF INTEREST

None.

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