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Role of Financial Literacy in Shaping Spending Behaviour – A Study with Special Reference to Financially Independent Adults in Coimbatore

Mr. J. Arun Samuel¹, Mr. Hariharasudhan.A²

Assistant Professor, Department of B.com A&F/ M.com (IB), Sri Krishna Arts and Science College, Coimbatore,
Tamilnadu, India¹

UG Student, Department of B.com A&F/ M.com (IB), Sri Krishna Arts and Science College, Coimbatore,
Tamilnadu, India²

ABSTRACT: Under current situations of the rapidly changing financial world, financial literacy has taken up a predominant position in determining how individuals make decisions regarding their economies and how they spend their money in their routine day. As more people are using digital payment services, and accessing more finance, they now have more opportunities and risks associated with consumption behaviour. This paper will analyse the aspects of financial literacy in influencing the expenditure habit of financially independent people in Coimbatore. This is a descriptive research design, primary data was collected through a structured questionnaire on 100 respondents. Percentage Analysis, Chi-square Test, One-way ANOVA are some of the statistical tools that were used to analyse the relationship between financial literacy and spending behaviour. The study says that financial literacy has positive influence on spending behaviour, behavioural discipline and practical financial skills play a more critical role than theoretical knowledge alone. The findings depicts the need for practical financial education initiatives focusing on responsible digital spending and everyday financial decisionmaking.

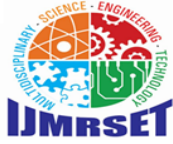
KEYWORDS: Financial Literacy, Spending Behaviour, Digital Payments, Budgeting Practices, Financial Discipline, Income Influence, Financial Decision-Making, Coimbatore.

I. INTRODUCTION

It has become difficult to manage personal finances in the modern economy with the rapid changes. Having increased access to credit facilities and opportunities to mobile banking application, people are nowadays exposed to both more financial opportunities and threats due to the rapid development of online payments. Although such developments have made financial convenience more convenient, it has also added to the increased spending and less financial discipline. Online methods of payment like UPI, debit cards and mobile wallets have rendered transaction fast and easy. In as much as this convenience increases access to finances, it also decreases the psychological consciousness of expenditure so that people are more prone to impulse buying. Consequently, financial literacy is gaining more significance in terms of enabling people make sound financial choices and also organize their costs. The changes in the levels of income and the use of digital in India have significantly changed the consumption patterns. Even though of availability of financial services, responsible financial behaviour is not a common thing. Most people have the basic financial knowledge but do not put into a routine of utilizing them when addressing their daily needs. The past research has mainly dwelled on the role of financial literacy in savings and investment behaviour. Nevertheless, decision-making in the daily spending matters also have a significant role in the financial stability. The research paper aims to investigate the role of financial literacy in determining the spending behaviour in the lives of financially independent people in Coimbatore.

II. REVIEW OF LITERATURE

A number of researches have indicated that financial literacy is significant in shaping financial behaviour. Araya (2019) noted that the demographic factors, including income and education, are major determinants of the financial literacy. On the same note, Sharmila (2023) has recorded that financial literacy is instrumental in determining financial awareness and behavioural patterns. According to Gowri (2016), financially literate persons have financial capacity and long-term planning skills. Saxena (2024) has indicated that in the current technological world, digital financial literacy



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has become more relevant. Sushila (2022) said that an increase in financial literacy supports financial satisfaction and responsible financial behaviour. Nevertheless, the majority of the available studies dwell on saving, the choices in investments and the retirement plans. There is a relative lack of research on the implications of financial literacy in day to day spending behaviour with respect to digital financial transactions. This gap shows the necessity of the further research in this field.

III. RESEARCH METHODOLOGY

The research design that is adopted in this research is descriptive to identify the relationship between financial literacy and spending behaviour.

- Area of Study: Coimbatore
- Sample Size: 100 respondents
- Sampling Technique: Convenience Sampling.
- Data Source: Primary data obtained with the help of structured questionnaire.

The questionnaire consisted of demographic profile, financial literacy and spending behaviour. The statistical instruments applied were:

- Percentage Analysis
- Chi-square Test
- One-way ANOVA

The data was analysed using SPSS and Microsoft Excel

IV. RESULTS AND DISCUSSION

4.1 Demographic Profile

Table 4.1 Demographic profile

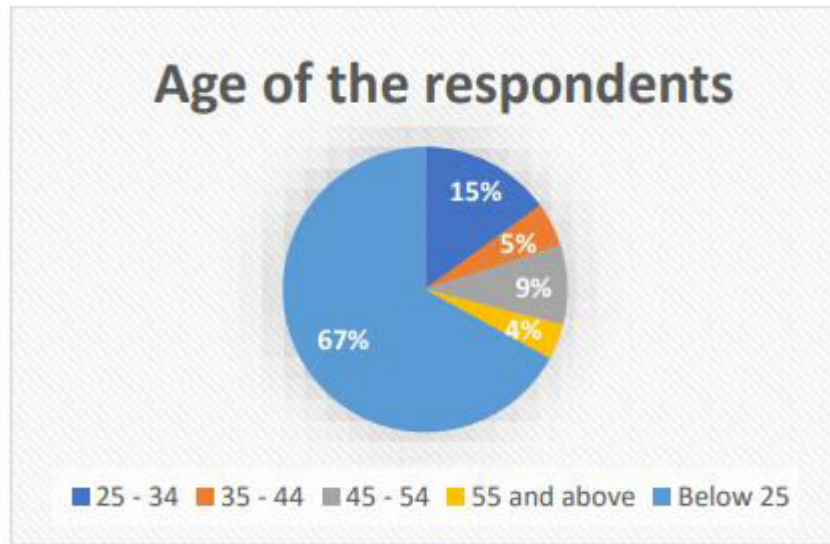
Variable	Category	Percentage
Age	Below 25	67%
Gender	Male	53%
Occupation	Salaried	51%
Income	Below ₹20,000	57%



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Chart 4.1 Age of the respondents



The demographic analysis will indicate that:

- 67 percent of the respondents are in the age category that is below 25 years.
- 53% are male and 47% female
- 51% are salaried person
- 57% earn below ₹20,000

This means that, the sample is mainly that of the young and low-to-middle income

4.2 Financial Literacy and Spending Behaviour

Table 4.2 Financial Literacy

Statement	Agree (%)
Understand saving vs investing	87%
Aware of financial products	78%
Understand interest rates	73%
Know budgeting	81%
Confident in decisions	70%



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Chart 4.3 Financial literacy

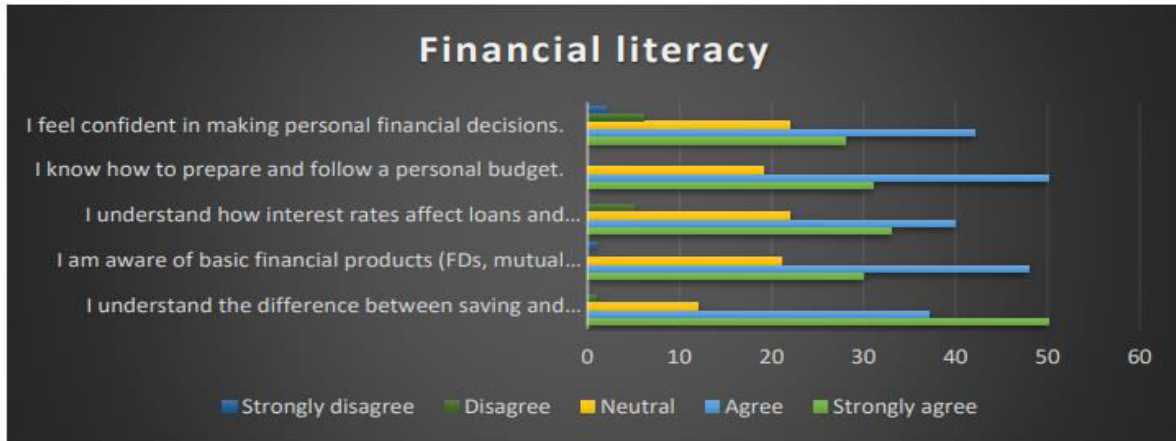


Table 4.3 Spending behaviour

BEHAVIOUR	ALWAYS / OFTEN (%)
Prepare monthly budget	51%
Track expenses	59%
Compare prices	70%
Avoid impulse buying	50%
Save fixed income	60%

Chart 4.3 Spending behaviour





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The analysis shows:

- 64% of the respondents display the knowledge of fundamental financial concepts.
- 60 percent distinguish between wants and needs.
- 52 percent also monitor their expenses.
- Half of them think that online payments have an impact on spending habits.
- Almost half of them confess to having impulsive purchases.

This can be interpreted to mean that there is financial awareness but little behavioural consistency.

4.5 Chi-Square Analysis

Variable Tested	p-value	Result
Income vs Expense Tracking	0.026	Significant
Income vs Goal Planning	0.046	Significant

The Chi-square test reveals:

- Significant association between income and expense tracking behaviour ($p = 0.026$)
- Significant association between income and planning expenses based on future financial goals ($p = 0.046$)

This indicates that income plays a vital role in shaping financial discipline.

4.6 ANOVA Analysis

Variable	p-value	Interpretation
Age vs Budgeting	0.001	Significant
Income vs Saving Habit	0.027	Significant

The ANOVA results show:

- Age significantly influences budgeting behaviour ($p = 0.001$)
- Income significantly influences saving habits ($p = 0.027$)

This confirms that demographic factors significantly affect financial behaviour.

V. LIMITATIONS

The research is also restricted to financially independent people who are living in Coimbatore, and this means that the results might not be generalized to other areas. Time limitation and limited accessibility constrained the sample size to 100 respondents. Convenience sampling can also be a limitation to generalisation of results. Secondly, the research is grounded on self-reported answers, which can also be affected by individual perceptions and behavioural prejudice.

VI. CONCLUSION AND FUTURE WORK

The research paper concludes that financial literacy have positive impact on spending behaviour of financially independent people in Coimbatore. But financial knowledge does not make an individual a responsible financial practitioner. Financially aware people need to translate their financial awareness into a disciplined behaviour through practical financial skills like budgeting, saving and keeping track of the expenses.



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