



International Journal Advanced Research Publications

FINANCIAL LITERACY: A KEY TO ECONOMIC STABILITY

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Article Received: 20 November 2025, Article Revised: 10 December 2025, Published on: 30 December 2025

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DOI: <https://doi-doi.org/101555/ijarp.2572>

ABSTRACT

Financial literacy is essential for individual financial well-being and overall economic stability. This empirical study investigates the level of financial literacy among commerce students and its impact on their economic stability-related behaviour. Primary data were collected from 120 students using a structured questionnaire. Analysis was conducted using descriptive statistics, mean scores, and Pearson correlation. Results indicate a moderate level of financial literacy among most students and a significant positive relationship with economic stability indicators such as saving, budgeting, and investment awareness. The study highlights the importance of integrating practical financial education into commerce curricula.

KEYWORDS: Financial Literacy, Economic Stability, Commerce Students, Financial Behaviour.

INTRODUCTION

Financial literacy involves the ability to understand and effectively use financial concepts such as budgeting, saving, investing, and credit management. In today's complex financial environment, individuals with adequate financial literacy can make informed decisions that promote personal and national economic stability. Commerce students, as future managers and entrepreneurs, must possess both theoretical and practical financial skills.

OBJECTIVES OF THE STUDY

1. To measure the level of financial literacy among commerce students.
2. To analyse financial behaviour supporting economic stability.
3. To examine the relationship between financial literacy and economic stability.
4. To highlight the role of financial education in improving economic outcomes.

HYPOTHESES

- **H₀ (Null Hypothesis):** There is no significant relationship between financial literacy and economic stability.
- **H₁ (Alternative Hypothesis):** There is a significant relationship between financial literacy and economic stability.

RESEARCH METHODOLOGY

Research Design: Descriptive and analytical empirical study.

Data Source: Primary data collected through structured questionnaires.

Sample: 120 undergraduate commerce students.

Sampling Technique: Convenience sampling.

Data Collection Tool: Questionnaire with sections on:

1. Demographics (age, gender, year of study)
2. Financial literacy knowledge (budgeting, saving, investment, credit management)
3. Financial behaviour supporting economic stability (saving habits, budgeting, responsible spending)

Statistical Tools:

- Percentage analysis to assess levels of financial literacy
- Mean scores to evaluate financial behaviour
- Pearson correlation to examine the relationship between financial literacy and economic stability

DATA ANALYSIS AND INTERPRETATION

Level of Financial Literacy

Level	Frequency	Percentage
Low	32	26.7%
Moderate	54	45.0%
High	34	28.3%
Total	120	100%

Interpretation: Most students (45%) have moderate financial literacy, indicating scope for improvement.

Financial Behaviour Supporting Economic Stability

Behaviour Indicator	Mean Score
Saving regularly	3.8
Budget planning	3.6
Responsible spending	3.5
Investment awareness	3.4

Interpretation: Students show good financial habits, particularly in saving and budgeting.

Correlation Between Financial Literacy and Economic Stability

Variables	Correlation (r)
Financial Literacy & Economic Stability	0.68

Interpretation: A strong positive correlation confirms that higher financial literacy enhances economic stability behaviours.

FINDINGS

- The majority of students have moderate financial literacy.
- Financial literacy positively influences saving, budgeting, and investment behaviour.
- The hypothesis (H_1) is accepted: financial literacy has a significant positive impact on economic stability.

CONCLUSION

Financial literacy is a critical determinant of economic stability for individuals and businesses. This study shows that commerce students with higher financial literacy demonstrate better financial behaviour and decision-making. Integrating practical financial education in commerce curricula can enhance students' preparedness for real-world financial challenges and contribute to broader economic stability.

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