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The influence of education on financial literacy and the application of smart money mechanisms

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Abstract

Financial literacy, the ability to understand and effectively use various financial skills, is essential for making informed decisions about saving, investing, and managing debt. The growing complexity of financial products and the increasing responsibility on individuals to manage their financial well-being have intensified the need for effective financial education. This paper explores the impact of education on financial literacy and how it enhances the application of smart money mechanisms such as budgeting, investing, credit management, and the use of financial technologies.

Through a review of existing literature and recent empirical studies, this paper highlights the positive correlation between financial education and improved financial behaviours. Educational interventions, particularly those integrated into school curricula and adult learning programs, significantly boost individuals' understanding of financial concepts, fostering prudent financial decision-making. Moreover, the adoption of smart money mechanisms is closely linked to the level of financial literacy attained. Educated individuals are more likely to utilize budgeting tools, make informed investment choices, manage credit efficiently, and leverage financial technologies like mobile banking and automated savings apps.

The paper also discusses the challenges in achieving widespread financial literacy, such as socio-economic disparities, limited access to education, and the rapid evolution of financial technologies. Addressing these challenges through targeted educational programs and policy interventions is critical for enhancing financial inclusion and economic stability. In conclusion, strengthening financial education is a vital strategy for empowering individuals with the knowledge and skills necessary to apply smart money mechanisms effectively, thereby improving their financial well-being and contributing to overall economic resilience.

Keywords: Financial literacy, smart money, payment method, financial inclusion digitalisation, flexibility, e-payment etc.

Introduction

In today's increasingly complex financial landscape, financial literacy has emerged as a crucial life skill. Defined as the ability to understand and effectively apply various financial skills including personal financial management, budgeting, and investing—financial literacy enables individuals to make informed decisions that can significantly impact their economic well-being. However, numerous studies indicate that a substantial portion of the global population lacks basic financial knowledge, leading to poor financial choices, higher debt levels, and insufficient savings for emergencies and retirement. This growing concern underscores the importance of financial education as a means to bridge the knowledge gap and enhance financial decision-making.

Education plays a pivotal role in shaping financial literacy by equipping individuals with the necessary skills and knowledge to navigate financial systems confidently. Financial education, whether imparted through formal schooling, community programs, or digital platforms, has been shown to positively influence individuals' ability to adopt smart money mechanisms—strategies that optimize personal finance management, such as budgeting, investing, and effective use of credit. Furthermore, the rapid advancement of financial technologies, including mobile banking apps, automated savings tools, and online investment platforms, has expanded the scope of financial management. To leverage these tools effectively, a solid foundation of financial literacy is indispensable.

Review of Literature

Review of Literature, is a significant aspect and a guideline for any type of research. It lays larger picture and directions for carrying on the further research Review of literature also

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depicts and discovers the important aspect of the research known as research gap the data collection was comprised of primary data and secondary data. Secondary data comprised review of literature incorporating books, journals, newspaper articles and research articles.

(Featherstone, 2007) mentioned the changing lifestyles of the consumers The outer exposure has contributed to immense changes taking place in the perceptions and attitudes of the consumers, thereby changing their thought processes and ideologies.

(Bijapurkar, 2009) ^[2] brought forward the changing landscape of Indian consumers and the marketing scenario The increasing purchasing power where on one hand has brought enormous changes in the buying habits of the consumers and on the other hand it has lead to huge competition in the Indian mass market

Tahmid Nayeab has also studied individualism-collectivism. Studying the Asian market, it's concluded that the consumers make buying decisions in a collective way making it easier for the marketing researchers to know what consumers want and they can be communicated in groups than in individuals.

(Rani, 2014), expresses that buying behaviour is a decision making process which involves while purchasing a product or services There are various factors why a consumer purchases a product and how buying decisions are made

Rationale of the Study

In an era of increasingly complex financial products and rising individual responsibility for financial well-being, financial literacy has become a fundamental life skill. Despite its importance, numerous studies reveal a significant gap in financial literacy worldwide, leading to suboptimal financial decisions, higher debt levels, insufficient savings, and financial insecurity. This gap is particularly pronounced among young adults, low-income groups, and communities with limited access to quality education. Addressing this issue requires a comprehensive understanding of how education influences financial literacy and the effective adoption of smart money mechanisms—strategies that enhance personal finance management, such as budgeting, investing, and prudent use of credit.

The rationale for this study stems from the need to examine the effectiveness of different educational approaches in fostering financial literacy and promoting smart money practices. While previous research has established a positive correlation between financial education and improved financial behaviors, there remains a need to explore the specific mechanisms through which education impacts financial decision-making. Additionally, the rapid advancement of financial technologies, including mobile banking, automated savings tools, and investment apps, necessitates an updated understanding of how financial education can prepare individuals to navigate these tools effectively.

Moreover, the findings of this study could inform policymakers, educators, and financial institutions about the most effective strategies for integrating financial literacy education into school curricula and community programs. Promoting financial literacy is not only crucial for individual financial well-being but also for broader economic stability and financial inclusion. By equipping individuals with the skills to make informed financial decisions, this study hopes to contribute to a more

financially resilient society.

Statement of Problem

Education is widely recognized as a critical tool in enhancing financial literacy, yet there remains limited empirical understanding of the extent to which educational interventions truly influence financial behaviour and awareness. Furthermore, with the advent of technology and digital finance, Smart Money Mechanisms such as budgeting apps, digital wallets, automated savings tools, and AI-based financial advisors—have become prominent. However, the successful application of these tools often depends on users' foundational financial knowledge and their confidence in using technology.

The problem lies in the insufficient exploration of the interrelationship between education, financial literacy, and the adoption of smart money tools. While educational programs may aim to enhance financial knowledge, it is unclear whether they effectively translate into practical usage of digital financial tools in real-life scenarios.

Therefore, this research seeks to investigate:

- How various levels and forms of education impact financial literacy,
- Whether increased financial literacy leads to better application and usage of smart money mechanisms, and
- What barriers exist in translating financial education into effective financial behavior using modern tools.

Objectives of the study

- To understand and explore the role and impact of financial literacy on the usage of smart payment modes
- To assess the association between financial education and its application
- To analyse the association between financial literacy and the actual application of the same in day-to-day life.
- To infer and draw conclusions on financial education and its application.

Hypotheses

- **H₀:** There is no significant association between financial education and its application.
- **H₁:** There is a significant association between financial education and its application
- **H₀:** There is no significant association between financial literacy and the actual application of the same in day-to-day life.
- **H₂:** There is a significant association between financial literacy and the actual application of the same in day-to-day life.

Significance of the Study

The significance of this study lies in its potential to enhance understanding of how education influences financial literacy and the adoption of smart money mechanisms—practices that optimize financial management, such as budgeting, investing, and responsible credit use. Financial literacy is a critical skill in today's economy, where individuals face increasingly complex financial products and greater responsibility for their own financial well-being. However, widespread financial illiteracy continues to pose challenges, leading to poor financial decisions, increased debt, and insufficient savings for emergencies and retirement. By

examining the role of education in promoting financial literacy, this study aims to contribute valuable insights that can inform educational policies, financial institutions, and community programs.

Research Design

The research design serves as the blueprint for systematically planning and conducting the study, ensuring that the research objectives are met effectively and the findings are reliable and valid. In this study, a mixed-methods approach was adopted, involving both primary and secondary sources of data collection to gain a comprehensive understanding of the impact of education on financial literacy and the application of smart money mechanisms. This approach enabled a thorough examination of existing literature as well as an analysis of firsthand data collected from diverse respondents.

Primary data was gathered through a structured survey using Google Forms, targeting a sample of 204 respondents from various demographics within the geographical area of Pune. The survey was designed to capture respondents' levels of financial literacy, their educational backgrounds, and their adoption of smart money mechanisms such as budgeting, investing, and credit management. Questions included a mix of multiple-choice, Likert scale, and open-ended formats to allow for both quantitative and qualitative insights. The sampling strategy ensured a diverse representation of age groups, income levels, and educational backgrounds, enhancing the reliability of the findings.

Secondary data was obtained through an extensive review of books, journals, research articles, and newspaper publications that explore the relationship between education and financial literacy. This literature review provided a theoretical foundation for the study, highlighting previous

research findings, identifying gaps in the literature, and offering insights into effective financial education practices. The use of credible and peer-reviewed sources ensured that the secondary data was both reliable and relevant to the research objectives.

Data analysis and Interpretations

Data analysis is employed for simplification as well as systematic analysis of data. Data analysis helps to draw conclusions and thus devise a future course of study for further research in the field of research. The data analysis was undertaken with the help of chi-square technique and regression analysis.

Table 1: Demographic Profiles of the Respondents

Gender	% Age
Females	63.7%
Males	35.8%
Prefer not to say	1.1%

Source: Primary Data

Out of the total 204 respondents, the table and the diagram revealed that 33.8% were females as compared to 64.4% of males.

Table 2: Demographic Profiles of the Respondents

Age	% Age
13-18	22.8%
19-25	56%
26-35	4.8%
36-50	9.8%
51-65	1.6%
65 and above	7.4%

Source: Primary Data

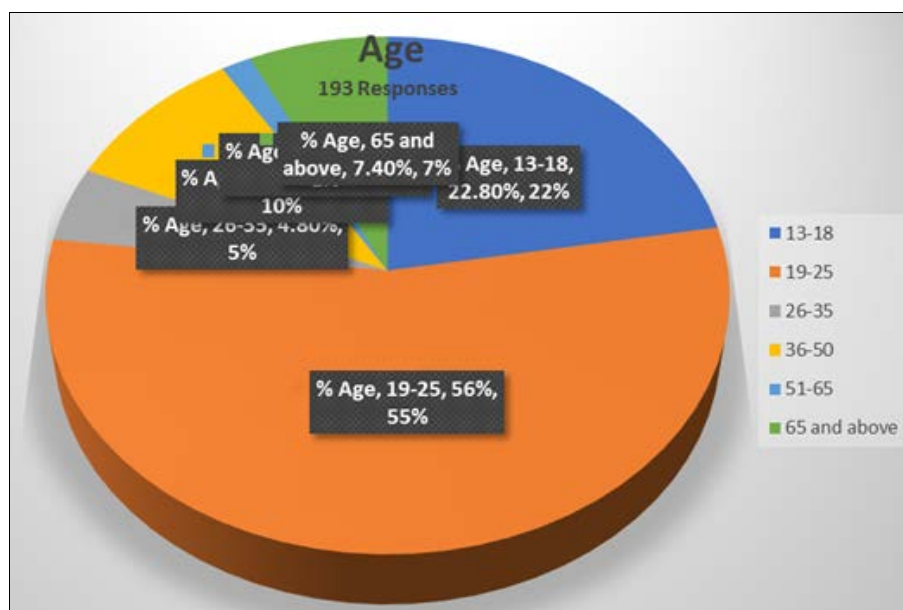


Fig 1: Demographic Profiles of the Respondents

It is inferred from the above table and the diagram that 22% of the respondents belonged to the 13-18 age group, 55% of the respondents belonged to 19-25 age group, 5% of the respondents were from 26-35, 10% from 36-50, 1% from 51-65 and lastly 7% of the respondents from above 65 age group.

Table 3: Statistical Analysis: Chi Square Test

Particular	Pearson Chi Square	DF	P Value
Financial literacy	222.20	3	<.0001
Uses of smart Payment Methods	910.10	3	<.0001

As it can be seen from the table 2 that Chi Square value is greater than the critical value, there is a significant between Financial Literacy and Usage of Smart Payment Methods. Therefore, we reject H_0 , and accept the alternate hypothesis that there is a significant association between Financial Literacy and Usage of Smart Payment Methods.

Limitation of the study

- The study may be limited to a specific geographic area in pune which may restrict the generalizability of the findings to a broader population.
- Data on financial literacy and smart money tool usage may rely heavily on participants' self-reported information, which can be affected by bias, exaggeration, or inaccurate recall.
- Financial literacy is a multifaceted concept. The study may not fully capture all dimensions i.e. behavioural, emotional, or psychological aspects due to standardized measurement tools or survey limitations.
- The study may not account for differences in access to or familiarity with technology, which can significantly affect the application of smart money mechanisms regardless of education level.
- If the study design is cross-sectional, it will only capture a snapshot in time and cannot establish causality between education, financial literacy, and the use of financial tools.
- The pace of innovation in digital financial tools means that findings related to "smart money mechanisms" may become outdated quickly or may not cover newly emerging tools.
- Participants with lower literacy levels or unfamiliarity with financial terminology may misinterpret questions, affecting the accuracy of the data collected.

Conclusions

The results of the data analysis indicate a strong association between financial literacy and the usage of smart payment methods. The findings demonstrate that individuals with higher levels of financial literacy are more likely to adopt and efficiently use smart payment mechanisms, such as mobile payments, online banking, and digital wallets. As a result, the researcher fails to accept the null hypothesis, which proposed no significant relationship between financial literacy and the usage of smart payment methods, and instead accepts the alternative hypothesis, confirming the existence of a significant association.

Respondents highlighted several key reasons for adopting smart payment methods, including convenience, ease of payment, time savings, and flexibility. Financially literate individuals, equipped with a better understanding of these technologies, were more confident in using them securely and effectively. This suggests that financial literacy not only influences the decision to use smart payment methods but also enhances users' ability to leverage these tools to manage their finances more efficiently.

Future Scope of the study

Financial literacy and financial inclusion are closely interlinked, each reinforcing the other to create a more financially empowered society. Financial literacy refers to the fundamental understanding of financial concepts and terminologies, such as budgeting, savings, investments,

interest rates, and digital payment systems. It equips individuals with the knowledge and skills needed to make informed financial decisions and manage their finances effectively. On the other hand, financial inclusion ensures that individuals have access to useful and affordable financial products and services such as bank accounts, credit, insurance, and digital payments—regardless of their income level or location. Financial literacy is the basic understanding of the financial concepts and terminologies. Financial concepts and terminologies will help to apply the financial payment methods in the day-to-day transactions. Financial literacy will have the for financial inclusion.

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