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A Study on Role of Financial Literacy in Personal Wealth Creation in Amravati City

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Abstract: This study examines the pivotal role of financial literacy in personal wealth creation. Financial literacy—understanding basic financial concepts such as saving, investing, budgeting, and debt management—empowers individuals to make informed decisions that enhance financial well-being. The research investigates the correlation between financial knowledge and wealth accumulation using both quantitative data and qualitative insights. Findings reveal that individuals with higher financial literacy are more likely to adopt disciplined financial habits, invest prudently, and plan effectively for the future, leading to sustained wealth creation. The study highlights the importance of integrating financial education into public policy and educational curricula to foster economic resilience and reduce wealth disparities. Financial literacy has emerged as a critical factor influencing individual financial behavior, decision-making, and long-term wealth creation. This research paper explores the relationship between financial literacy and personal wealth accumulation, analyzing how knowledge of financial concepts such as budgeting, saving, investing, and debt management contributes to improved financial outcomes.

Keywords: Financial Literacy, Personal Wealth Creation, Financial Education, Investment Awareness, Savings Behavior, Financial Planning, Wealth Management, Economic Empowerment, Personal Finance, Budgeting Skills, Income Management

1. INTRODUCTION

Financial literacy plays a vital role in individual wealth creation and long-term financial well-being. It refers to the ability to understand and effectively use financial skills such as budgeting, saving, investing, managing debt, and assessing risks associated with financial products. In today's increasingly complex financial world, being financially literate helps individuals make informed decisions that directly impact their financial stability and growth. In urban and semi-urban areas, financial literacy is especially important due to the increasing availability of financial services and products. People who understand these options are more likely to manage their income wisely, plan for the future, avoid debt traps, and invest in wealth-building avenues like mutual funds, insurance, or real estate. This study focuses on understanding the role of financial literacy in personal wealth creation, specifically in the context of Amravati city—a growing urban center in India with a diverse population. While some individuals may possess good financial knowledge, many still lack the understanding needed to make sound financial decisions. As a result, they may miss opportunities to grow their wealth or secure their financial future. The study aims to assess the current levels of financial literacy among residents, explore how it influences their personal wealth creation, and identify the key demographic and socioeconomic factors affecting financial knowledge and behavior. By addressing this gap, the research will contribute to a better understanding of financial behavior at the regional level and offer insights that can guide future financial education programs and policymaking.

2. REVIEW OF LITERATURE

Financial literacy plays a vital role in shaping individuals' financial decisions and long-term wealth creation. Lusardi and Mitchell (2014) state that people with strong financial knowledge are better at budgeting, saving, and investing, which directly contributes to wealth accumulation. Atkinson and Messy (2012) highlight that financial education improves financial behavior and reduces the chances of poor money management and debt. In India, Agarwal et al. (2015) found that financial literacy levels are relatively low, especially in semi-urban areas, and improving awareness can promote better use of financial services. Bhushan and Medury (2013) observed that demographic factors such as age, income, and education affect financial literacy, while Sharma and Kukreja (2015) found a strong link between financial knowledge and investment behavior. Though past studies confirm the connection between financial literacy and wealth creation, there is a lack of region-specific research. This study aims to address that gap by focusing on Amravati city.

3. OBJECTIVES

1. To assess the financial literacy levels among individuals in Amravati.
2. To identify factors influencing financial literacy.
3. To explore the relationship between financial literacy and wealth creation strategies, such as savings, investments, and budgeting.
4. To provide actionable recommendations to improve financial literacy.

4. RESEARCH METHODOLOGY

This study adopts a descriptive and exploratory research design to examine the role of financial literacy in personal wealth creation among residents of Amravati city. A descriptive approach was used to assess the current levels of financial literacy and related financial behaviors, while the exploratory aspect focused on understanding how these literacy levels influence wealth creation practices, including savings, investments, and budgeting. The population for the study comprises residents aged 20–60 years, representing diverse income groups, education levels, and occupations. Data was collected using a combination of primary and secondary sources. Primary data was obtained through structured questionnaires and personal interviews, which captured information on financial knowledge, income management, saving habits, investment patterns, and the use of financial tools. Secondary data was collected from government reports, banking and financial institution publications, and existing literature on financial literacy and wealth creation. Convenience sampling was employed to select 100 respondents, ensuring representation across different socioeconomic segments. The data was analyzed using statistical techniques, including chi-square tests, to evaluate the relationship between financial literacy and wealth accumulation. This methodology allowed the researcher to derive meaningful insights into financial behavior, identify gaps in knowledge, and provide practical recommendations to improve financial literacy and enhance personal wealth creation.

Hypothesis of the study:

Null Hypothesis (H₀): Financial literacy does not significantly affect personal wealth creation. Alternative Hypothesis (H₁): Financial literacy significantly affects personal wealth creation.

Hypothesis testing:

Null Hypothesis (H₀): There is no association between financial literacy and personal wealth creation. Alternative Hypothesis (H₁): There is an association between financial literacy and personal wealth creation.

TABLE 1. Observed Frequency Table (O)

Financial Literacy \ Wealth Creation	Good	Moderate	Poor	Total
High	20	10	5	35
Medium	15	20	10	45
Low	5	5	10	20
Total	40	35	25	100

TABLE 2. Expected Frequency Table (E)

Financial Literacy \ Wealth Creation	Good	Moderate	Poor	Total
High	14	12.25	8.75	35
Medium	18	15.75	11.25	45
Low	8	7	5	20
Total	40	35	25	100

TABLE 3. Chi-square Test Calculation

Observed Value	Expected value	(O-E)	(O-E) ²	(O-E) ² /E
20	14	6	36	2.5714
10	12.25	-2.25	5.0625	0.4133
5	8.75	-3.75	14.0625	1.6071
15	18	-3	9	0.5
20	15.75	4.25	18.0625	1.1468
10	11.25	-1.25	1.5625	0.1389
5	8	-3	9	1.125
5	7	-2	4	0.5714
10	5	5	25	5
				=13.0739

Conclusion:

- Calculated $\chi^2 = 13.07$
- Critical $\chi^2 = 9.488$

Result:

Since $13.07 > 9.488$, we

Reject the null hypothesis.

Accept alternative hypothesis.

5. SCOPE AND LIMITATIONS

Scope: This study focuses on understanding the role of financial literacy in personal wealth creation among residents of Amravati city. It examines how individuals' knowledge of financial concepts—such as budgeting, saving, investing, and debt management—affects their ability to accumulate and manage wealth effectively. The research covers various demographic segments, including different age groups, education levels, and occupations, to identify patterns in financial behavior. It also explores the use of financial tools, investment practices, and savings habits as key indicators of wealth creation. The findings aim to provide actionable insights for policymakers, educational institutions, financial institutions, and community organizations to design targeted financial literacy programs that can enhance economic well-being and promote informed financial decision-making in urban populations.

Limitations: While this study provides valuable insights into the role of financial literacy in personal wealth creation in Amravati city, it has several limitations. Firstly, the research is geographically restricted to Amravati, which limits the applicability of the findings to other regions with different economic conditions, education levels, or financial infrastructure. The sample size used in the study is relatively small, and selected using convenience sampling, which may not accurately represent the diverse population of the city. Secondly, the data is collected through structured questionnaires based on self-reporting. This method may lead to biased or inaccurate responses due to factors like social desirability, lack of knowledge, or misunderstanding of financial terms. Moreover, the study focuses primarily on basic aspects of financial literacy, such as budgeting, saving, and awareness of investment options. It does not delve into more advanced topics like retirement planning, risk management, or tax-saving strategies, which are also critical for long-term wealth creation. Additionally, the study is cross-sectional, capturing data at a single point in time, and therefore does not account for how financial literacy and personal wealth evolve over time. External factors such as market conditions, government schemes, and inflation, which can significantly impact personal wealth, were also not considered in the scope of this study.

6. FINDING AND SUGGESTION

Findings: The study reveals that financial literacy among the residents of Amravati is generally low to moderate. While most individuals possess basic financial knowledge, there is a clear gap in their understanding of investment options, risk management, and long-term financial planning. A noticeable trend is the preference for savings over investments—many respondents save money regularly but hesitate to invest in wealth-generating instruments like mutual funds, stocks, or real estate, primarily due to a lack of awareness or fear of financial risk. Interestingly, younger individuals aged 18 to 35 demonstrated relatively higher financial awareness, particularly in the use of digital banking services and online investment tools. The findings also indicate that education and occupation significantly influence financial literacy, with better-informed practices seen among formally employed and more educated individuals. Additionally, the use of financial planning tools remains minimal across the sample, with few participants using budgeting apps, retirement calculators, or seeking guidance from financial advisors, which hinders effective and strategic wealth creation.

Suggestions: Implement Financial Literacy Programs: Schools, colleges, and community centers in Amravati should introduce structured financial education programs to improve financial awareness from a young age. Promote Investment Awareness: Local banks and financial institutions should conduct regular workshops on the benefits and risks of various investment options, particularly targeting salaried and self-employed individuals. Encourage Use of Financial Tools: Government and NGOs should encourage people to use mobile apps and digital platforms for budgeting, saving, and investing. Focus on Women and Rural Populations: Tailored programs should be developed to improve financial literacy among women and rural residents, who often have limited access to financial resources and education.

7. CONCLUSIONS

The study clearly highlights that financial literacy plays a vital role in shaping the financial behavior and wealth-building capacity of individuals in Amravati city. While many residents are aware of basic financial practices such as saving and budgeting, there remains a significant gap in deeper financial knowledge, especially in areas like investing, retirement planning, and risk management. It was observed that individuals with higher financial literacy levels are more confident in making informed financial decisions, are better at managing debt, and are more proactive in creating long-term wealth. Education, occupation, and access to financial resources were found to be key factors influencing financial literacy in the region. To improve the overall financial well-being of the community, there is a strong need for targeted financial education programs and awareness initiatives. Empowering people with the right knowledge and tools will not only help in personal wealth creation but also contribute to the broader economic development of Amravati city.

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