
**FINANCIAL LITERACY AS A CATALYST: TRANSFORMING
HOUSEHOLD SAVINGS INTO INVESTMENTS FOR VIKSIT BHARAT
2047**

***Mrs. P. Madhavi Latha**

Associate Prof. in Commerce, Badruka College of Commerce & Arts Hyderabad.

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***Corresponding Author: Mrs. P. Madhavi Latha**

Associate Prof. in Commerce, Badruka College of Commerce & Arts Hyderabad.

DOI: <https://doi-doi.org/101555/ijarp.6641>**ABSTRACT:**

Household savings are essential for India's capital formation, yet a significant portion of these savings remains in low-return assets like cash, gold, and fixed deposits. This research explores how financial literacy can help households redirect their savings into formal and productive investment opportunities, thus contributing to India's long-term goal of Viksit Bharat 2047. Employing a mixed-methods strategy that combines primary survey data with insights from existing literature, the study examines the impact of financial awareness on saving habits, investment decisions, and confidence in financial institutions.

The statistical results, including outcomes from paired t-tests, suggest that financially literate households exhibit more efficient saving habits, engage in a wider array of financial products, and demonstrate increased confidence when interacting with formal financial systems. Moreover, engaging in financial literacy initiatives and being informed about government-backed financial programs greatly motivate households to move away from informal saving methods and participate more proactively in capital formation. The research emphasizes that financial literacy is not only a personal skill but a national necessity, crucial for inclusive growth, financial stability, and sustainable economic progress. Serving as a catalyst, financial literacy is essential in converting household savings into productive investments that align with the vision of Viksit Bharat 2047.

KEYWORDS: Financial Literacy, Household Savings, Investment Behaviour , Financial Inclusion, Viksit Bharat 2047.

INTRODUCTION:

Household savings is more than a personal financial habit. It plays a key role of a nation's economic strength. The funds that families keep aside together provide the base for investment, capital creation, and sustained economic growth. In India, household savings make up the large share of total national savings. Yet a large portion of these funds remains with cash holdings, gold, and real estate. These choices offer a sense of security, they yield modest returns and largely remain outside the organized financial system.

The way households allocate their savings is majorly dependent on their level of financial awareness. Financial literacy is not limited to understanding complex financial terms, it requires knowledge about practical skills such as budgeting, knowing how interest works, managing risk, and planning for future financial needs. Families with higher financial awareness are better in evaluating available options, choose financial instruments, and safeguard their savings. On other hand, limited financial knowledge often results in depending on traditional practices, to engage with formal financial institutions, and miss opportunities for higher returns.

To address these drawbacks, governments and financial institutions have launched various initiatives to promote financial inclusion and improve financial awareness. While these efforts have expanded access to banking and financial services, access by itself has not ensured effective participation. Many households remain hesitant to move their savings into productive investment avenues due to limited knowledge, low confidence, and concerns about trust.

In this scenario, the present study aims to examine the influence of financial literacy on household saving and investment decisions. It aims to understand whether improved financial awareness can encourage households to channel their savings into formal financial avenues such as banks, mutual funds, insurance schemes, and securities. The findings are expected to contribute to better policy formulation, stronger financial education initiatives, and the development of a more inclusive and resilient financial system

OBJECTIVES:

- To assess the level of financial literacy among households and its influence on their saving and investment decisions.
- To examine the role of financial literacy in mobilizing household savings into formal and productive investment avenues.

- To evaluate the contribution of financial literacy-driven household investments towards India's economic transformation under Viksit Bharat 2047

HYPOTHESIS

Hypothesis 1 : Financial Literacy Level and Household Financial Behaviour

- There is no significant relationship between the level of financial literacy among Indian households and their saving and investment decisions
- H1: Higher levels of financial literacy among Indian households are positively associated with more informed and diversified saving and investment decisions (e.g., greater allocation to formal financial products over gold or cash).

Hypothesis 2: Savings and Investment Behaviour and Financial Literacy Programs

- H₀: There is no significant difference exists in savings and investment behavior scores between households participating in financial literacy programs and non-participants .
- H₁: Households participating in financial literacy programs exhibit significantly higher savings and investment behavior scores than non-participants, reflecting consistent saving, confident formal investments, and reduced reliance on low-yield traditional methods.

Hypothesis 3: Awareness of Government Schemes and Preference for Formal Financial Institutions

- H₀: There is no significant relationship between awareness of government schemes (e.g., PMJJBY, PMSBY, Atal Pension Yojana, Sukanya Samriddhi) and preference for formal financial institutions among households.
- H₁: Higher awareness of government schemes is positively associated with greater preference for formal financial institutions (banks, post offices, India Post Payments Bank) over informal channels (moneylenders, chit funds).

LITERATURE REVIEW:

- Shivangi Srivastava titled “ Financial Literacy and Its Role in Shaping Personal Investment Decisions in India” published in 2025 states that, financial literacy helps households to move from traditional savings like gold or deposits into diverse investments. With better knowledge, people gain confidence, manage risks wisely, and plan for long-term goals. Less awareness keeps families connected to low-return options and reduces

participation in formal markets. Overall, financial literacy transforms savings into productive investments, supporting India's vision of **Viksit Bharat 2047**.

- AFM Jalal Ahamed titled "Financial literacy" stated that, financial literacy helps households move beyond traditional savings like gold or fixed deposits and invest in diverse options such as stocks, mutual funds, and pensions. When people lack financial knowledge, they have a tendency to avoid risks, depend on physical assets, and miss on market opportunities. Studies from developing countries show that financial literacy promotes inclusion, wealth creation, and stronger use of digital financial platforms. Government programs expand access, but their success depends on people's understanding.
- Dr. R. Blessie Pathmu, Ms. G. Shreevarsha titled "A Study on the Impact of Financial Literacy on Investment Decisions" published in 2025 says that, financial literacy is an important factor that shapes how households save and invest. People with better financial knowledge are more likely to join formal financial markets and build diverse investment portfolios, while those with low literacy often avoid risks and prefer traditional options like gold or fixed deposits. Evidence from India shows that financial literacy leads to smarter investment decisions and makes financial inclusion programs more effective.
- Selim Mekdessi, George Saliba, Elena Makdiss, and Riad Makdissi titled "Financial literacy as a catalyst for rational investment behavior: Evidence among university students in a crisis-affected economy" stated that , Individuals with strong financial knowledge invest more carefully, set clear goals, and diversify portfolios. Financial awareness encourage confidence, improves risk management, and reduces guess in decisions. Yet gaps in awareness carry on across age, income, and education, limiting market participation. Structured education, training, and digital platforms are key to linking these gaps.
- Puneet Bhushan titled "Relationship between Financial Literacy and Investment Behavior of Salaried Individuals" stated that, Financial literacy shapes how salaried individuals save and invest. Those with stronger knowledge to discover options like mutual funds and bonds, while limited awareness keeps others connected to traditional deposits. Education, income, and occupation influence these choices. Overall, financial literacy turns household savings into productive investments, supporting India's vision of **Viksit Bharat 2047**.

NEED OF STUDY:

Household savings in India remain high, yet much of it is locked in gold, cash, and fixed deposits. These instruments provide safety but fail to generate strong long-term returns or drive capital growth. Financial literacy helps households to understand modern markets and products like mutual funds, bonds, and insurance. With knowledge, families can analyze risks, diversify portfolios, and match investments with future goals. Without literacy, households stay risk-averse, depend on informal advice, and miss wealth-building opportunities. Existing studies often look over literacy in isolation, ignoring its role in transforming savings into investments. Few connect financial literacy directly with India's vision of **Viksit Bharat 2047**. Research is biased toward urban and salaried groups, leaving rural and low-income households less represented. Comparative analysis across age, income, and occupation is limited, restricting deeper insights. Most evidence is based on secondary data, lacking ground-level perspectives on household behavior. Behavioral barriers like risk perception and trust in institutions are rarely addressed. Financial confidence, a key factor in investment decisions, is also little studied. These gaps weaken understanding of how literacy mobilizes savings into productive channels. This study aims to fill those gaps with primary evidence and behavioral analysis. It positions financial literacy as a catalyst for household savings and India's economic transformation under **Viksit Bharat 2047**.

RESEARCH GAP:

Despite in depth research on financial literacy and investment behavior, important gaps remain. Most studies look at financial literacy in separate, without linking it to broader economic growth. They rarely know how literacy can shift household savings from low-yield options to productive investments. Few attempts connect financial literacy directly with India's long-term vision of **Viksit Bharat 2047**.

Research has focused mainly on urban, salaried, or student groups. Rural households, informal workers, and low-income families are often not included. Much of the proofs depend on secondary data rather than ground-level insights. We still lack detailed understanding of household saving and investment preferences. Behavioral factors like risk perception remain poorly researched. Trust in financial institutions is another difficult but neglected aspect. Financial confidence strongly shapes decisions but is rarely studied in depth. Comparative analysis across age, education, income, and occupation is limited.

This restricts a subtle view of how literacy impacts diverse groups. Addressing these gaps is essential for mobilizing household savings effectively. Financial literacy can help channel

funds into formal, productive investments. Such investments are important for capital formation and sustainable growth. Without literacy, households remain connected to traditional, low-return instruments. Government programs expand access, but knowledge is needed for real participation. This study aims to bridge these gap with fresh, primary-level evidence. It positions financial literacy as a catalyst for household savings and India's transformation under **Viksit Bharat 2047**.

RESEARCH METHODOLOGY:

This study utilizes a mixed methods methodology, combining data from both primary and secondary sources. Primary data is collected through a standardized questionnaire, with respondent answers subjected to in-depth analysis .Supplementing this, secondary data was gathered from conference proceedings and published literature, providing a comprehensive foundation for the study.

EVOLUTION OF FINANCIAL LITERACY AND ITS IMPACT ON HOUSEHOLD SAVINGS AND INVESTMENT:

In earlier generations, financial literacy was primarily informal, shaped by family traditions, community advice, and reliance on familiar saving practices. Households preferred cash, gold, fixed deposits, and real estate assets viewed as secure but offering limited returns. With little exposure to financial markets or risk management, participation in instruments such as shares, bonds, and mutual funds remained less. Consequently, household savings were largely fixed, disconnected from formal investment channels, and contributed little to broader capital formation.

On the other hand, the present generation benefits from structured financial education, digital platforms, and government led inclusion initiatives. Financial literacy now includes budgeting, investment planning, risk return analysis, and portfolio diversification. This expanded awareness has encouraged households to channel a portion of their savings into market linked instruments such as equities, mutual funds, pension schemes, and systematic investment plans (SIP s). Greater confidence in managing finances has reduced dependence on traditional physical assets and encouraged more lively investment behavior.

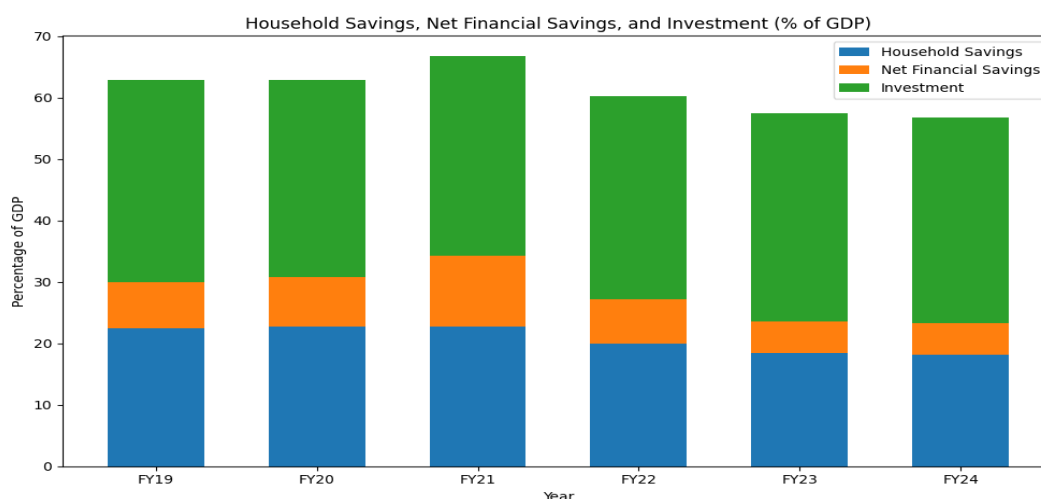
This generational shift in financial literacy has transformed household savings patterns. While the overall savings rate remains high, allocation has modernly moved toward productive investments that motivate capital formation and economic growth. Such a transition not only strengthens household financial security but also matches with India's

vision of Viksit Bharat 2047, where informed financial decision-making is recognized as a basis of sustainable national development.

TRENDS IN HOUSEHOLD SAVINGS& INVESTEMENT. (FY19-FY24)

Year	HH Savings (%GDP)	Net HH Financial Savings (%GDP)	Investment (%GDP)
FY19	22.4	(est ~7–8)	~33
FY20	22.7	~8	~32
FY21	22.7	~11.5	~32.5
FY22	~20	~7.2	~33
FY23	18.4	5.1	~34
FY24	18.1	5.2	~30–34

(Data based on combined MOSPI/RBI/CareEdge/CEIC estimates as cited above; percentages are rounded for readability.)



ANALYSIS:

Household savings in India decreased from 22–23% of GDP (FY19–FY21) to roughly 18% in FY24. Net financial savings reached a high of 11.5% during COVID-19 but dropped significantly to 5.1–5.2% in FY23–FY24, marking the lowest level in decades. This decrease was influenced by elevated consumption, growing inflation, and heightened loan repayments. Nonetheless, total investment remained stable at 32–34% of GDP, bolstered by government capital expenditures and corporate reinvestment. Nonetheless, decreased household savings necessitated increased reliance on loans, corporate financing, and foreign investments, resulting in lasting risks.

Enhancing family savings via financial education is crucial. By directing funds into fruitful investments such as mutual funds, bonds, and pension plans, families can increase domestic

capital, lessen reliance on external loans, and foster sustainable growth. Financial empowerment therefore emerges as a crucial foundation for realizing Viksit Bharat 2047.

DATA ANALYSIS :

1,Financial Literacy Level and Household Financial Behaviour

t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	3.661538462	3.223076923
Variance	1.434943351	0.701788909
Observations	130	130
Pearson Correlation	0.238044008	
Hypothesized Mean Difference	0	
df	129	
t Stat	3.881354788	
P(T<=t) one-tail	8.24633E-05	
t Critical one-tail	1.656751594	
P(T<=t) two-tail	0.000164927	
t Critical two-tail	1.978524491	

INTREPRETATION:

A paired t-test was performed to analyze the effect of financial literacy on savings and investment behavior within households by comparing the average scores of the two related variables being investigated. The assessment relies on replies from 130 participants.

The research reveals a distinct variation in household financial conduct associated with financial literacy. Participants with greater literacy achieved higher scores (3.66 compared to 3.22), indicating improved savings habits and investment involvement. The t test ($t = 3.88$, $p = 0.00016$) indicates that this difference is statistically significant. Households that possess greater financial awareness feel more assured in handling their finances.

Households with greater degrees of education are more likely to mobilize their resources, diversify their avenues of income, and be willing to embrace new ideas and innovations. Higher earnings are also predominantly determined by education, which encourages households to preserve money.

They are more inclined to transform savings into structured and varied investments. Financial literacy initiatives enhance this behavior, increasing confidence and engagement. Knowledge of government programs also boosts confidence in banks and official institutions. Collectively, these elements decrease dependence on unofficial savings methods. Financial

literacy serves as a driving force for encouraging household savings. It fosters sustainable development and India’s long-term goal of Viksit Bharat 2047.

2. Savings and Investment Behaviour and Financial Literacy Programs

T-TEST PAIRED TWO SAMPLE FOR MEAN		
	Variable 1	Variable 2
Mean	3.2	1.569230769
Variance	1.215503876	0.247107931
Observations	130	130
Pearson Correlation	-0.209339166	
Hypothesized Mean Difference	0	
df	129	
t Stat	14.29404445	
P(T<=t) one-tail	1.14152E-28	
t Critical one-tail	1.656751594	
P(T<=t) two-tail	2.28303E-28	
t Critical two-tail	1.978524491	

INTERPRETATION:

The research contrasted families that participated in financial literacy programs with those that did not participate. The findings indicate a notable distinction: participants achieved significantly higher scores (3.20) in savings and investment behavior compared to non-participants (1.57). The statistical analysis validated that this difference is highly significant, indicating it’s not coincidental.

Basically, families who undergo financial literacy training tend to save more consistently, invest more assuredly, and opt for formal financial choices such as mutual funds or insurance. Individuals lacking this exposure continue to adhere to conventional, low-yield methods.

This evidence emphasizes that financial literacy initiatives significantly impact. They enable families to convert savings into fruitful investments, enhancing both household finances and India’s larger objective of Viksit Bharat 2047

3. Awareness of Government Schemes and Preference for Formal Financial Institutions

T-TEST PAIRED TWO SAMPLE FOR MEANS		
	Variable 1	Variable 2
	1.723076923	1.830769231
	0.201788909	0.141681574
	130	130
Pearson Correlation	0.454231729	
Hypothesized Mean Difference	0	
df	129	
t Stat	-2.817969974	
P(T<=t) one-tail	0.002797278	
t Critical one-tail	1.656751594	
P(T<=t) two-tail	0.005594556	
t Critical two-tail	1.978524491	

INTERPRETATION :

The research revealed that individuals aware of government-supported investment programs are more inclined to trust and utilize formal financial entities such as banks, mutual funds, and insurance. Their mean score (1.83) surpassed that of those not informed of such programs (1.72), and the difference was statistically significant.

In basic terms, understanding fosters confidence. When families comprehend government programs, they feel more secure transferring funds from informal savings to formal investments. This trust promotes wiser financial choices and backs India's goal of Viksit Bharat 2047

DISCUSSION:

- Financial literacy drives a transition from traditional, low-return savings to formal channels, as evidenced by higher scores among program participants (3.20 vs. 1.57 for non-participants). This supports literature findings, such as Srivastava (2025) and Bhushan (2014), showing literate individuals better manage risks, diversify portfolios, and build trust in institutions, addressing gaps in rural and low-income representation. Awareness of schemes like PMJDY further boosts formal participation (mean score 1.83 vs. 1.72), reducing reliance on informal methods amid declining net financial savings (5.1-5.2% of GDP in FY23-FY24).

CONCLUSION:

The research finds that financial literacy is a challenging factor in converting household savings into effective investments. It was clearly demonstrated that families with greater financial literacy are more inclined to save, invest in formal financial products, and engage confidently in the financial system. The results align with previous studies indicating that financial knowledge diminishes risk aversion and reliance on traditional assets with low returns. Programs on financial literacy and knowledge of government initiatives significantly increased trust and participation with formal institutions. These results emphasize that merely having access to financial services is inadequate; knowledgeable involvement is also crucial. By directing household savings into productive avenues, financial literacy aids in domestic capital formation and lessens reliance on external sources of funding. Therefore, financial literacy must be considered a national priority instead of merely an individual ability. Enhancing financial education programs will be crucial for inclusive growth and for realizing the long-term vision of Viksit Bharat 2047

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