



A Study on Financial Literacy and impact on Long-term wealth Creation

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Abstract

In the current financial world, when people are exposed to a vast array of financial goods and investment opportunities, financial literacy has emerged as a crucial ability. An individual's financial decision-making process is greatly influenced by their comprehension of financial concepts such as budgeting, inflation, interest rates, diversification and risk return trade-off. This study investigates the connection between long-term wealth generation and financial literacy.

The goal of the study is to determine whether people who are more financially literate exhibit better saving practices, disciplined investment behavior and enhanced financial planning, all of which eventually contribute to the creation of wealth over time. A quantitative study design is suggested which includes structure questionnaire to gather primary data from participation of all ages and income levels.

The findings suggest that financial literacy plays a crucial role in influencing decisions, risk tolerance, and long-term financial security. The study emphasizes how crucial financial education is to enhancing economic well-being and lowering financial vulnerability.

Keywords: Long-term Financial Security, Investment Behavior, Wealth Creation, Financial Planning and Financial Literacy.

1. Introduction

In the modern financial system, there are wide range of investment opportunities which includes mutual funds, equities, fixed deposits, bonds and digital financial instruments.

However, effective wealth creation is not ensured by the availability of financial goods. A key component of financial success is the capacity to comprehend and assess these possibilities.

Financial literacy refers to the knowledge and skills required to manage financial resources effectively. It includes Understanding concepts such as budgeting, saving, time value of money, inflation, taxation and risk management.

Long-term wealth creation involves systematic saving and strategic investment over an extended period and are key components of long-term wealth growth. An individuals who understand financial principles are more likely to diversify their portfolios, make invest early, and profit or get benefit from compounding.

The purpose of this study is to examine and analyses how financial literacy influences long

term wealth accumulation and financial security. And also, to know the relationship between long-term wealth growth and financial security and financial literacy.

2. Literature Review

Bhuyan (2023) conducted a study on the relationship between financial literacy and personal wealth growth using secondary data from global financial databases. The findings revealed that individuals with higher financial literacy tend to make better financial decisions related to saving, investing, and debt management. The study concluded that financial literacy positively contributes to wealth accumulation and financial stability over time.

Rehman and Mia (2024) conducted a systematic review analyzing various determinants of financial literacy. Their study identified demographic, socio-economic, psychological, and technological factors that influence financial knowledge and financial behavior. The research highlighted that financial literacy is a multidimensional concept that significantly affects individuals' financial decision-making and financial well-being.

Mancone et al. (2024) examined the effectiveness of financial literacy programs among youth and young adults. The study found that financial education programs improve individuals' ability to manage money, understand financial products, and develop responsible financial behaviors. The research emphasized that early financial education can significantly improve long-term financial outcomes and wealth-building capabilities.

Kumar and Saluja (2025) investigated the impact of financial literacy on wealth management practices among middle-class households. Their findings revealed that individuals with higher financial knowledge tend to invest more systematically, diversify their portfolios, and maintain better long-term financial plans. The study also highlighted that financial literacy reduces dependence on high-interest debt and improves financial stability.

Lusardi and Mitchell (2014) emphasized that financial literacy significantly impacts retirement planning and savings behaviour. Their research indicates that financially knowledgeable individuals are more likely to engage in long-term investment strategies.

Van Rooji al. (2011) found that individuals with higher financial literacy participate more actively in stock markets and accumulate greater financial assets over time.

Hastings et al. (2013) highlighted that financial education improves decision-making and reduces costly financial mistakes.

Agarwal et al. (2015) noted that lack of financial literacy leads to poor borrowing decisions and inefficient financial planning.

Existing studies consistently show a positive relationship between financial knowledge and improved financial outcomes, forming the basis for this research.

3. Research Methodology

This study adopts a descriptive and analytical research design using both primary and secondary data.

Primary Data

- Questionnaire were structured, survey conducted to 100 respondents.
- Questions related to financial knowledge, saving habits and investment behaviour.

Secondary Data

- Research journals and academic articles.
- Books on financial management and behavioral finance.
- Report from financial institutions and RBI publications.

Analytical Tools

- Percentage Analysis
- Correlation Analysis
- Comparative Assessment

Research Questions

1. Does financial literacy influence saving behaviour?
2. How does financial knowledge affect investment decisions?
3. Is there a relationship between financial literacy and long-term wealth accumulation?
4. Does financial planning improve financial security?

Research Hypothesis

H₀ (Null Hypothesis):

Financial literacy has no significant impact on long-term wealth creation. H₁ (Alternative Hypothesis):
Financial literacy significantly improves long-term wealth creation and financial stability.

4. Data Analysis and Finding

According to the study of the responses, people who are more financially literate typically invest in a variety of asset classes and save a larger percentage of their income. Better long-term financial planning was noted by those who grasped ideas like compounding and inflation.

According to the survey, those who are financially educated are also more likely to keep an eye on the performance of their investments, save money for emergencies, and steer clear of excessive debt. Indicators of asset accumulation and financial literacy scores appear to be positively correlated.

Overall, the results show that improving long-term financial security and wealth building is significantly aided by financial literacy.

The findings show that financial behaviour is influenced by financial literacy in addition to knowledge. People who are knowledgeable about financial concepts make wise investment choices and exhibit greater assurance during market swings.

The answers clearly demonstrated the importance of compounding, disciplined savings and diversity. However, younger and lower-income respondents showed gaps in their financial knowledge, including the need for organized financial education programs.

The study supports the idea that a key component of long-term wealth generation is financial knowledge.

5. Conclusion

The study comes to the conclusion that long-term wealth growth is greatly aided by financial literacy. Strong financial literacy is demonstrated by superior financial planning, diverse assets and better saving practices.

Financial inclusion and economic stability can be improved by promoting financial education at the institutional and policy levels. Enhancing financial literacy initiatives can enable people to attain long term stability and financial independence.

6. References

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