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A STUDY ON INFLUENCE OF FINANCIAL AND SOCIAL NORMS ON INDIVIDUAL'S SPENDING PATTERNS

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ABSTRACT
Financial Literacy is the key factor to all those individuals who live in a complicated financial scenario. It is important for an individual to make appropriate and wise financial decisions if they have the financial literacy. This paper helps to study the cause and effects financial literacy and financial behavior towards decision making. Data was collected using questionnaire by floating the google form among various individuals. The samples were collected from 254 respondents using non – probability sampling method (comprising of high school students, UG students, PG students, young adults and senior citizens). Using ANOVA – One way, it is found that there was a significant relationship between financial literacy and financial behavior towards their decision-making ability.

KEY WORDS: *Financial literacy, Financial Behavior, Spending Habits, Financial Investments.*

INTRODUCTION
Financial literacy Is the ability to know and understand how money works in the economy and take wise decisions about the same. It means having an understanding about general financial concepts like budgeting, costing, expenditure, savings etc. and essential financial tools that help to manage finances effectively. A Financial literate knows how to invest his money inorder to make more savings and spend accordingly. Meanwhile a person having no financial literacy or inadequate financial literacy may not have any idea how to save his money and how to manage their spending patterns. This is the reason financial literacy becomes important in every person's life. According to RBI survey conducted in June 2023, the financial literacy in India is only 62.6% from the entire population. Increasing inflation and cost of living make it even more important that people possess good financial literacy by adapting a healthy financial behavior in their lifestyle.

Financial literacy level may vary according to various income levels, education levels, parental influence or family influence and saving habits of the individual.

The purpose of this study is to understand the effects of financial literacy and behavior towards the spending habits of the individual. Although many studies have found this relationship, this study also helps us to understand the impact of financial literacy on financial behavior.

REVIEW OF LITERATURE
Lebaron (2020) analyzed the parental financial education during childhood and financial behaviors of emerging adults. The objective of the study is to examine the role of parental financial education during childhood in shaping financial behaviors of emerging adults. The study used multivariate linear regression to analyze the data and 437 samples were collected from the flourishing family's dataset. The study found that parental education positively influenced healthy financial behaviors and genders did not moderate the relationship.

As mentioned earlier, financial literacy is the most important factor in today's lifestyle. It is important that we cultivate this healthy financial behavior in order to maintain a good financial situation. Financial literacy can be maintained through various learning techniques such as online learning or offline learning. Online learning such as watching YouTube classes or attending any online courses. Offline learning can be done by attending various workshops relating to financial literacy or spending habits or how to increase savings of an individual.



From literature review, it can be seen that financial literacy impacts significantly on the spending habits of an individual. **Jayaraman (2018)** analyzed the financial literacy among high school students' evidence from India. The objective of the study is to assess the financial literacy levels of high

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school students and identify influencing factors. The study used quantitative survey analysis using standardized financial literacy questions to analyze the data. The study used samples from 608 high school students in India. The study found that there were low literacy levels with commerce students performing better and females outperformed males, contrary to trends in developed countries.

In a study of financial literacy among Indian youth in Hyderabad-Secunderabad, **Mahapatra, Alok, and Raveendran (2016)** used data from 425 postgraduate students via a structured questionnaire and logistic regression to examine sociodemographic factors, parental influence, and attitudes toward financial planning. They found that financial literacy is higher among MBA students, that family income and parents' education have a positive impact on financial literacy, but that an excessive reliance on parental guidance has a negative impact. Students between the ages of 22 and 28 demonstrated superior financial knowledge compared to their younger peers, underscoring the need for youth-specific financial education.

Kharyll O (2024) examined how impulsive purchasing among Philippine senior high school students is affected by implicit peer pressure. The study discovered a weak positive association (r=0.273) using questionnaires from 108 randomly chosen students and a descriptive correlational approach. It draws attention to the necessity of financial literacy and self-control education programs in order to reduce impulsive purchasing.

Shim (2010) examined first-year college students' financial socialization. The study's goal is to examine how first-year college students' financial views and behaviours are influenced by their parents, work experiences, and high school financial education. The data was analysed using structural equation modelling and a cross-sectional survey. 2098 first-year college students from a variety of sociodemographic and ethnic backgrounds were included in the study's sample. According to the study, financial literacy resulted in favourable attitudes and actions, and parental influence surpassed the combined effects of education and employment.

The impact of personal finance education on financial behaviour, attitudes, and knowledge was examined by **Johan (2020)**. The study's goal is to evaluate how personal finance education affects financial knowledge, attitudes, and behaviour, with a focus on research conducted in the United Kingdom and the United States. The study measured financial literacy and related attitudes using standardized questionnaires. Using practical sampling techniques, the study gathered samples from 521 undergraduate students at Bogor Agricultural University in Indonesia. According to the study, there was no discernible effect on financial attitudes or behaviour, although the course greatly increased financial knowledge.

In order to develop a financial management strategy, **Rodriguez (2024)** examined the impact of social media on senior high school students' spending patterns. The goal is to highlight how social media is increasingly influencing the financial behaviour of seniors in high school. To evaluate the data, the study employed a descriptive correlational design. 1537 senior high school students made up the study sample, and standardized questionnaires were used to gather data. The study's findings, which demonstrate how digital platforms affect financial attitudes and decision-making, showed a strong association between students' purchasing patterns and their exposure to social media.

In research conducted by **Sohn (2012)** The findings show that financial behaviour significantly influences financial well-being, and digital financial literacy significantly influences financial behaviour. Meanwhile, financial conduct and financial well-being are influenced by financial confidence.

Alshebami (2022) examined how Saudi Arabian youth's saving habits, financial literacy, and social influence interact, as well as the moderating role of self-control. Examining how social influence affects young individuals in Saudi Arabia's financial literacy is the aim of the study. To examine the data, the study employed a quantitative and deductive methodology. Convenience sampling was employed in the study, and 270 respondents who were enrolled in medical secretary training programs or studying human resource management were included in the sample. It was discovered that peer and parental influence can both positively predict financial literacy.

Groot (2017) examined the evaluation of financial literacy training initiatives for kids and teenagers. Testing a conceptual model of perceived parental effect on young adults' financial literacy is the goal. 36 participants provided empirical evidence for the study using evaluation instruments like the personal finance test. The study used a flowchart to examine the data using a systematic review methodology. It came to the conclusion that financial education initiatives implemented in schools enhance students' financial literacy and attitudes.

Salva (2010) analyzed the importance of parental socialization. Testing a conceptual model of perceived parental effect on young adults' financial literacy is the goal. 420 college students completed a questionnaire with 44 content questions as part of the study's sample collection process, which used a systematic review methodology. Regression analysis, correlation, and variances were used in the study to examine the data. The study discovered that parental influence and financial attitude are significantly correlated, while financial knowledge was unaffected.

Sharif (2020) examined young financial literacy, financial information seeking behaviour, and family financial socialization. The goal is to investigate how financial literacy and the behaviour of obtaining financial information are related. To examine the data, the study employed the cross-sectional research approach. 802 respondents completed a systematic, self-administered questionnaire for the study.

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According to the study, financial avoidance was decreased and directly impacted by parents' financial activity.

RESEARCH METHODOLOGY

In order to assess the effect of financial literacy on the spending habits of an individual, the type of research used is causal research with exploratory research design. The research focuses on finding a relationship between financial literacy and spending habits of an individual, hence causal research helps to find the cause-and-effect relationship between the two variables. The exploratory research design is used in the beginning of a research study which helps to seek insights into general nature of the problem. It can provide the relevant variable that needs to be considered. Through this method the specific problem of research can be identified. Various literatures are studied in order to develop a new hypothesis. In the process it was found that there is a significant relationship between the two variables (financial literacy and spending behaviour)

The objective of the study is

1. To explore the financial literacy among the respondents.
2. To analyse the spending habits of respondents.
3. The identify the relationship between these two.

The variables considered for the study are financial literacy, parental and family influence, peer and social influence on spending, media and advertising influence, spending behaviour and financial management, financial decision-making behaviour and saving/ budgeting habits.

HYPOTHESIS DEVELOPMENT

Considering the different kinds of variables including demographic variables, the following hypothesis is developed.

ANOVA

Financial literacy

	Sum of squares	df	Mean Square	F	Sig.
Between Groups	26.123	16	1.633	1.306	.192
Within Groups	360.034	288	1.250		
Total	386.157	304			

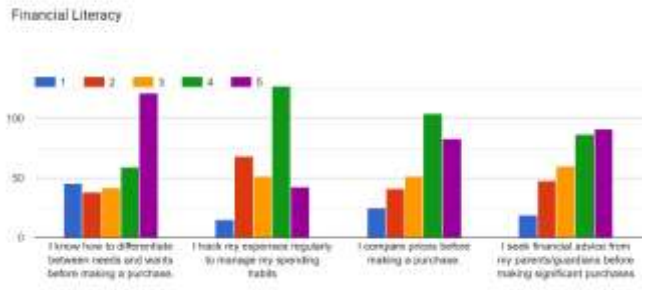
H_0: There is no significant influence of financial literacy on the spending behaviour pattern.

H_1: There is significant influence of financial literacy on the spending behaviour pattern.

The above table shows that there is a significant influence of financial literacy on the spending behaviour of adolescents. To prove this, one way ANOVA is used. Here the F value and significant value is greater than 0.05, hence null hypothesis is rejected and alternative hypothesis is accepted.

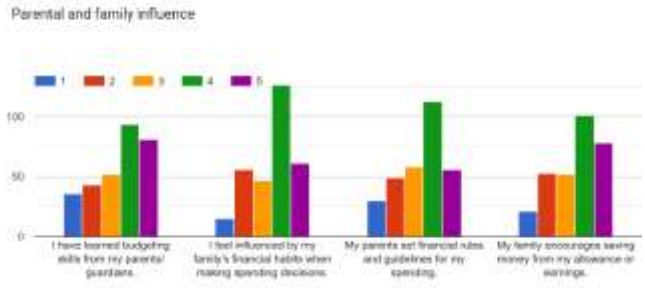
ANALYSIS AND MAJOR FINDINGS

It was found that majority of the respondents were male which constituted to 52.6%. The financial literacy is seen more among the age group of 19 years and above. The variables used for the study are various demographic variables like gender, age group, education level, family type monthly savings, and various other variables like financial literacy, parental and family influence, peer & social influence on spending, media & advertising, spending behaviour & financial management, financial decision making. It was found that, the respondents strongly know how to differentiate between needs and wants before making their purchases and they also track expenses regularly to manage their spending habits.



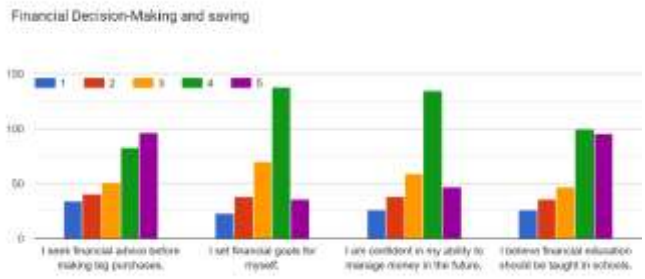
The above figure shows the responses given by 250 respondents using 5 - point Likert scale from strongly disagree (1) to strongly agree (5)

It was also found that parents influence on the spending behaviour of the children by setting rules and regulations.



The above graph is an extract of one of the variables under study from the questionnaire that was circulated among the respondents.

The financial decision making and saving behaviour of the respondents said that they set financial goals for themselves and they also strongly agree that they seek financial advice before making big purchases.



The above chart shows the same finding that the respondents believe that financial education should be taught in schools in order to lead long term financial savings and long-term financial planning among the people.

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According to the Research method that is being adapted for the study, which is ANOVA – one way, it was found that there is significant influence of financial literacy on spending behaviour pattern.

CONCLUSION

This study clarifies how important financial literacy is in influencing people's financial behaviour, especially with regard to spending habits and judgment. ANOVA-One Way was used to analyse the replies of 254 participants, and the results show a statistically significant correlation between financial behaviour and financial literacy. More financially literate respondents were better able to distinguish between needs and wants, track spending on a regular basis, and set financial objectives, all of which resulted in more responsible spending practices. Furthermore, the study discovered that prominent outside factors including peer pressure, parental supervision, and media exposure had a big impact on people's financial decisions. Furthermore, the study discovered that prominent outside factors including peer pressure, parental supervision, and media exposure had a big impact on people's financial decisions. Crucially, the findings highlight the urgent need to incorporate financial education into school curriculum at a young age in order to inculcate good money management practices and long-term financial planning abilities. To sum up, increasing financial literacy can be a very effective strategy for advancing financial security and well-being.

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