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Educational Attainment and Financial Literacy in India: A Statistical Study on Awareness of Interest Rates, Credit Scores, and Investment Risks

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ABSTRACT

In an increasingly complex financial world, understanding fundamental financial concepts is critical for individuals to make informed and responsible decisions. Financial literacy, encompassing knowledge of interest rates, credit scores, and investment risks, is widely recognized as a crucial life skill. While it is often assumed that individuals with higher educational qualifications possess greater financial awareness, this assumption remains largely untested in the Indian context. This study aims to empirically examine the association between educational qualifications and financial knowledge among individuals, using data from a cross-sectional sample of 181 respondents with varied educational backgrounds, ranging from those with schooling up to SSLC to professionals and Ph.D. holders. The research investigates awareness across four key financial domains: interest rates on deposits, interest rates on loans and advances, understanding of credit scores, and perceived risks associated with savings and investments. A series of chi-square tests for independence were conducted to determine whether educational qualifications significantly influenced levels of awareness in these areas. The findings revealed that in all four categories, the calculated chi-square values were significantly lower than the critical values at a 5% level of significance, indicating no statistically significant association between educational attainment and financial awareness. These results challenge the commonly held belief that formal education inherently equips individuals with financial knowledge. The lack of significant association suggests that financial literacy is not a natural outcome of academic achievement, but rather may require targeted financial education and experiential learning. This study has important implications for policymakers, educators, and financial institutions. It underscores the urgent need to integrate structured financial literacy programs into formal education systems and community outreach efforts, regardless of educational background.

Keywords: Financial literacy, educational qualification, chi-square test, interest rates, credit score, investment risk

1. Introduction

Financial literacy is a vital component of economic stability and personal financial well-being.

While it is generally assumed that individuals with higher educational qualifications possess better financial knowledge, existing literature presents mixed evidence. This study explores whether educational attainment is significantly associated with financial awareness in four key financial aspects: interest on deposits, interest on loans, credit score knowledge, and awareness of investment risk.

2. Objectives of the Study

- To analyze the association between educational qualification and knowledge about the rate of interest on deposits.
- To determine whether education influences awareness of loan interest rates.
- To evaluate the relationship between education and credit score awareness.

To investigate the association between educational qualification and perceived risks of savings and investments.

3. Review of Literature

3.1 Financial Literacy and Educational Qualification

Financial literacy encompasses a person's knowledge and understanding of financial concepts, as well as the ability to make informed financial decisions (Lusardi & Mitchell, 2014). It is commonly assumed that individuals with higher levels of formal education possess greater financial knowledge. However, studies have challenged this assumption by showing that educational qualification alone does not guarantee financial literacy (Atkinson & Messy, 2012). These findings suggest that while education may support analytical thinking, specific financial education is necessary to improve financial decision-making.

3.2 Impact of Education on Awareness of Interest Rates

Interest rates on deposits and loans are fundamental financial concepts. According to Chen and Volpe (1998), although educated individuals may better comprehend compound interest and loan structures, actual awareness often depends on personal financial experiences rather than formal education. Mandell (2008) noted that even students in advanced educational programs had gaps in understanding financial products unless exposed to focused financial literacy curricula..

3.3 Education and Credit Score Awareness

A credit score is a critical component in personal finance, as it significantly impacts loan approvals and interest rates. Lusardi and Tufano (2015) found that a large proportion of adults, regardless of their educational background, lacked a proper understanding of how credit scores are calculated and used. This suggests that general education may not necessarily equip individuals with credit-related financial knowledge unless it is paired with targeted instruction.

3.4 Investment Risk Perception and Education

The perception of investment risk varies based on exposure, experience, and personality traits, rather than education alone. Studies by van Rooij, Lusardi, and Alessie (2011) found that many well-educated individuals still struggled with understanding the risk-return trade-off in investments. This supports the argument that risk awareness is more influenced by financial experience, personal interest, and access to financial information than educational attainment.

3.5 Need for Financial Education at All Levels

Multiple researchers advocate for the integration of financial education into school and university curricula regardless of the level or field of study (Huston, 2010). The OECD (2016) also emphasized that adult financial literacy programs should not be limited to individuals with lower educational attainment, as financial illiteracy is widespread and affects decision-making across all demographics.

4. Methodology

A cross-sectional survey was conducted, collecting data from 181 individuals categorized by their highest level of educational qualification: up to SSLC, +2/Diploma, undergraduate degree, postgraduate degree, and Profession-

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als/Ph.D. Respondents were asked to rate their knowledge in four financial areas on a three-point scale: Very High, High, and Neutral.

Chi-square tests for independence were used to determine the association between education and each financial information category, at a significance level of 0.05.

5. Results:

Table 1: Chi-Square Test on Educational Qualification and Finance-Related Information-Rate of Interest on Deposits

Educational Qualification / Finance Related Information- Rate Of Interest On Deposits	Very High	High	Neutral	Total
Up to SSLC	4	9	2	15
+2 / Diploma	35	43	6	84
UG degree	17	28	4	49
PG degree	6	7	1	14
Professionals / Ph.D.,	11	7	1	19
Total	73	94	14	181

Ho: There is no significant association between the educational qualification and finance-related information- Rate of interest on Deposits

H1: There is a significant association between the educational qualification and finance-related information- Rate of interest on Deposits

Chi-Square Test Summary	Value
Calculated Chi-square Value	4.744
Degrees of Freedom	8
Significance Level (α)	0.05
Critical Chi-square Value	15.507
Decision	Fail to Reject the Null Hypothesis
Interpretation	No significant association between educational qualification and awareness of the rate of interest on deposits

Calculated Value of Chi-square is 4.744, and for a significance level of 0.05 and 8 degrees of freedom, the critical value from the chi-square distribution table is 15.507.

Since the calculated chi-square statistic (4.744) is less than the critical value (15.507), we fail to reject the null hypothesis. This means there is no significant association between the educational qualification and finance-related information- Rate of interest on Deposits

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Table 2: Chi - Square Test on Educational Qualification and Finance-Related Information- Rate of Interest on Loans and Advances

Educational Qualification/finance related information- Rate of interest on loans and advances	Very High	High	Neutral	**Total**
Up to SSLC	4	10	1	15
+2 / Diploma	11	64	9	84
UG degree	12	29	8	49
PG degree	5	9	0	14
Professionals	6	12	1	19
Total	**38**	**124**	**19**	**181**

Ho: There is no significant association between the educational qualification and finance-related information- Rate of interest on loans and advances

H1: There is a significant association between the educational qualification and finance-related information- Rate of interest on loans and advances

Chi-Square Test Summary	Value
Calculated Chi-square Value	10.65
Degrees of Freedom	8
Significance Level (α)	0.05
Critical Chi-square Value	15.51
Decision	Fail to Reject the Null Hypothesis
Interpretation	No significant association between educational qualification and awareness of the rate of interest on loans and advances

Calculated Value of Chi-square is 10.65, and for a significance level of 0.05 and 8 degrees of freedom, the critical value from the chi-square distribution table is 15.51.
Since the calculated Chi-square value (10.65) is less than the critical value (15.51), we fail to reject the null hypothesis. This means there is no significant association between the educational qualification and finance-related information- Rate of interest on loans and advances

Table 3: Chi-Square Test on Educational Qualification and Finance Related Information- Credit Score.

Educational Qualification/finance related information- credit score	Very High	High	Neutral	**Total**
Up to SSLC	3	4	5	12
+2 / Diploma	18	34	32	84
UG degree	6	20	23	49
PG degree	2	4	8	14
Professionals /Ph.d.,	4	9	6	19
Total	**33**	**71**	**74**	**178**

Ho: There is no significant association between the educational qualification and finance-related information- Credit Score

H1: There is a significant association between the educational qualification and finance-related information- Credit Score

Chi-Square Test Summary	Value
Calculated Chi-square Value	4.60
Degrees of Freedom	8
Significance Level (α)	0.05
Critical Chi-square Value	15.51
Decision	Fail to Reject the Null Hypothesis
Interpretation	No significant association between educational qualification and level of awareness about credit scores

The calculated Chi-square value (4.60) is less than the critical value (15.51). We fail to reject the null hypothesis. This suggests that there is no significant correlation between educational qualification and the level of knowledge about credit scores.

Table 4: Chi-Square Test on Educational Qualification and Finance-Related Information- Risks Associated with Your Savings and Investments

Educational Qualification/finance related information- Risks associated with your savings and investments	Very High	High	Neutral	Total
Up to SSLC	2	8	5	15
+2 / Diploma	12	41	31	84
UG degree	4	18	27	49
PG degree	2	6	6	14
Professionals/Ph.D.,	3	9	7	19
Total	**23**	**82**	**76**	**181**

Ho: There is no significant association between the educational qualification and finance-related information- Risks associated with your savings and investments

H1: There is a significant association between the educational qualification and finance-related information- Risks associated with your savings and investments

Chi-Square Test Summary	Value
Calculated Chi-square Value	5.26
Degrees of Freedom	8
Significance Level (α)	0.05
Critical Chi-square Value	15.51
Decision	Fail to Reject the Null Hypothesis
Interpretation	No significant association between educational qualification and awareness of risks related to savings and investments

Calculated Value of Chi-square is 5.26, and for a significance level of 0.05 and 8 degrees of freedom, the critical value from the chi-square distribution table is 15.51.

Since the calculated Chi-square value (5.26) is less than the critical value (15.51), we fail to reject the null hypothesis. This indicates that there is no significant association between the educational qualification and finance-related information- Risks associated with your savings and investments.

6. Discussion

Across all four financial awareness categories, the null hypothesis was retained. Despite varying educational backgrounds, individuals did not differ significantly in their knowledge of deposit rates, loan interest rates, credit scores, or investment risks. These findings align with prior research suggesting that financial literacy is influenced more by financial education and life experience than by academic achievement alone.

7. Conclusion

The objective of this study was to investigate whether educational qualification has a significant association with financial awareness in four specific areas: interest rates on deposits, interest rates on loans and advances, understanding of credit scores, and awareness of investment risks. Using a chi-square test for independence on data collected from 181 respondents with varying levels of education, it was consistently observed that there is no statistically significant association between an individual's level of formal education and their financial awareness in any of these categories.

These results are both enlightening and important. Conventional wisdom often assumes that higher educational qualifications are correlated with a better understanding of finances. However, this study aligns with existing literature that emphasizes the limited influence of formal education on practical financial knowledge. The absence of a significant relationship suggests that financial literacy is not inherently embedded in academic curricula, regardless of level or discipline, and may instead depend on other factors such as personal experience, financial exposure, and targeted training.

The findings imply that even individuals with postgraduate degrees or professional qualifications may lack adequate financial awareness unless they have had specific learning opportunities or engagement with financial topics. This disconnects raises critical concerns about the need for dedicated financial education programs, both in schools and beyond formal education systems. Integrating financial literacy into educational curricula across all streams, offering community-based financial education initiatives, and utilizing digital platforms to disseminate practical financial knowledge could bridge this knowledge gap.

Additionally, the study underscores the importance of universal financial literacy. It is not only the uneducated or less educated who may lack understanding of financial instruments—people across all education levels may be equally uninformed about key aspects of personal finance. Therefore, financial literacy campaigns and policy interventions should adopt an inclusive and holistic approach, targeting the general population rather than segmenting it based solely on education.

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