ISSN: 2249-7862 (Print) : 2455-877X (Online)
www.aureoleonline.in

Effectiveness of Financial Literacy Programs in Reducing Credit Card Debt among Young IT Professionals in Kerala

Raveena L. R.[1*], Dr. Simu Rajendran[2]
[1]Research Scholar, Department of Commerce,
Sree Narayana College, Kollam, Kerala
[2]Assistant Professor, Department of Commerce,
Sree Narayana College, Chempazhanthy, Thiruvananthapuram, Kerala
[*]Email: raveenaravi998@gmail.com

Abstract

The study investigates the link between financial literacy and credit card debt among young IT professionals in Kerala, highlighting the impact of financial literacy programs. It analyses data from 150 respondents using descriptive statistics and regression methods. It finds a moderate level of financial literacy overall (Mean = 3.18) but lower literacy regarding credit cards. The results reveal a significant negative relationship between financial literacy and credit card debt balances ($B = -0.46$, $p < 0.01$; $R^2 = 0.27$), with Pearson's correlation showing $r = -0.58$ ($p < 0.01$) for outstanding debt. The findings indicate that higher financial literacy correlates with better credit management. However, due to the convenience sampling method, results should be viewed as associations rather than definitive causal relationships.

Introduction

The IT sector's rapid expansion in Kerala has led to greater income opportunities, access to digital financial services and increased exposure to consumer spending among young professionals. Credit cards can help with transactions and short-term liquidity, but they can also result in overspending, minimum payment behaviour and revolving debt, if used improperly. This is where financial literacy comes in. Managing credit well requires knowledge of how interest is charged, when bills are due, the minimum amount you can pay, your repayment responsibilities, budgeting and the long term effects of not paying off your balance.

Financial education has been investigated as a means of improving financial knowledge and downstream financial behaviour. There is also some evidence that the effect of financial education may be dependent on the design of interventions and the extent to which they are related to specific financial decisions (Fernandes, Lynch & Netemeyer, 2014). Therefore, credit card-specific financial literacy is an important area to investigate debt outcomes amongst young professionals.

The impact of financial literacy programs specifically on credit card debt among young IT professionals in Kerala has not been studied adequately. This study therefore focuses on the association between financial literacy and credit card debt, and the practical relevance of financial literacy programs for responsible credit management.

Research Problem

Financial literacy programs are widely advocated to improve personal financial behaviour but young professionals may continue to carry substantial credit card balances despite relatively high levels of formal education. This raises the question of whether financial literacy is related to credit card debt outcomes and if credit specific knowledge and financial management skills are reflected in repayment behaviour. The research gap that this study addresses is the limited Kerala specific evidence.

Objectives

1. To assess the level of financial literacy among young IT professionals in Kerala.
2. To evaluate the effectiveness of financial literacy programs in reducing credit card debt.
3. To examine the relationship between financial literacy and credit card debt reduction.

Review of Literature

Financial literacy is important for the economy and Lusardi and Mitchell (2014) reviewed the relationship between financial literacy and financial decision-making. Fernandes, Lynch and Netemeyer (2014) concluded that financial education does not always result in long term change in behaviour and they emphasized the significance of the design of the intervention and the behavioural context. Huston (2010) stressed the importance of clear conceptualization and measurement of financial literacy. Sharma (2024) conducted a study on financial literacy and usage of credit card among urban adults in India. The study found a gap between financial awareness and its application to credit behaviour. Agarwal et al. (2015) examined financial literacy and financial planning in India, highlighting the relevance of financial knowledge in personal financial management. Lusardi and Tufano (2015) explored debt literacy, financial experiences and overindebtedness. Similarly, Lusardi, Mitchell and Curto (2010) examined financial literacy among young individuals. Lone and Bhat (2024) investigated the impact of financial literacy on financial well-being, including the mediating role of financial self-efficacy. Giannikos and Korkou (2025) investigated financial literacy and credit card payoff behaviour using data of US credit card holders and reported association of financial literacy and repayment behaviour.

Collectively, the literature suggests that financial literacy is relevant to credit management, but that the behavioural impact of financial education depends on the practical content and context of the intervention. Evidence is still needed on young IT profession-

als in Kerala, particularly evidence linking financial literacy to actual credit card debt balances.

Research Methodology

Design of the Research

The research design used in this study is descriptive and analytical research design to study the financial literacy and credit card debt among young IT professionals in Kerala.

Data and Sample Sources

The study is based on 150 young IT professionals working in major IT hubs of Kerala. Respondents were selected through convenience sampling due to accessibility constraints. Primary data were collected through a structured questionnaire. Other relevant information was obtained from research literature, institutional reports, bank publications and other relevant websites.

Variables and Operational Alignment

The primary dependent variable for the correlation and regression analysis is the credit card debt balance (outstanding credit card debt). This was done to address the operational definition discrepancy noted at the review stage. The independent variable is the financial literacy score. Thus, a negative coefficient or correlation means that the higher the financial literacy, the lower the outstanding balance on credit cards. In the objectives and discussion, the term debt reduction is used to signify the practical outcome of lower outstanding balances, but it is not treated as a separate negatively coded dependent variable in the correlation table that is reported.

Methods of Analysis

The data were summarized using percentage analysis, mean and standard deviation. The relationship between financial literacy and outstanding credit card debt balance was assessed using Pearson's correlation coefficient. A simple linear regression was used to estimate the direction and magnitude of the association between financial literacy score and credit card debt balance. The regression model presented has one independent variable and is therefore referred to as simple linear regression and not multiple regression.

Regression model: Credit Card Debt Balance = $\alpha + \beta$ (Financial Literacy Score) + ε

Results and Discussion

Table 1. Level of Financial Literacy among Young IT Professionals (n = 150)

Dimensions of Financial Literacy	Mean	SD
Basic Financial Knowledge	3.21	0.84
Credit Card Literacy	2.98	0.91
Financial Management Skills	3.34	0.79
Overall Financial Literacy	3.18	0.85

Overall, the financial literacy score was 3.18 (SD = 0.85), which indicated a moderate level based on the measurement used in the study. Moderate financial literacy was found in 44.7% of the respondents, high financial literacy in 30% and low financial literacy in 25.3%. The mean of credit card literacy was the lowest among the reported dimensions (2.98) while the mean of financial management skills was the highest (3.34). This shows that the respondents financial management skills were relatively better than their knowledge about credit cards.

Table 2. Simple Linear Regression Model: Financial Literacy and Credit Card Debt Balance (n = 150)

Model	R	R^2	Adjusted R^2	Standard Error
1	0.52	0.27	0.26	0.61

The regression model has an R value of 0.52 and R^2 of 0.27. In this model, financial literacy explains 27% of the variation in outstanding credit card debt. The leftover variation could stem from things the model didn't account for – like income, how people spend, repayment habits, or other personal or household influences.

Table 3. Coefficients of the Regression Model

Variable	B	Standard Error	t value	Sig. (p)
Constant	4.12	0.38	10.84	0.000
Financial Literacy Score	−0.46	0.07	−6.57	0.000

Financial literacy score has a significant negative effect ($B = -0.46$, $p < 0.01$). In this model, every one-point rise in financial literacy is linked to a 0.46-point drop in average credit card debt. This result only shows a link, not causation since the design doesn't include a controlled before and after comparison, we can't say the program caused the drop.

Table 4. Pearson Correlation between Financial Literacy and Credit Card Debt Balance (n = 150)

Variables	Financial Literacy	Credit Card Debt Balance
Financial Literacy	1	–0.58**
Credit Card Debt Balance	–0.58**	1

Note: ** Correlation is significant at the 0.01 level (2-tailed).

People with higher financial literacy tend to carry less credit card debt, and this link is fairly strong – correlation at –0.58, statistically significant ($p < 0.01$). People with higher financial literacy tend to carry less debt in this sample. This aligns with the regression result, but correlation doesn't mean causation, so we can't say financial literacy alone causes debt outcomes.

Findings

- Summary statistics indicated that the general level of financial literacy was moderate (Mean = 3.18, SD = 0.85).
- 44.7% of the respondents had a moderate level of financial literacy, while 30% and 25.3% had high and a low level of financial literacy respectively.
- Specifically, credit card literacy (Mean = 2.98) compared to financial management skills (Mean = 3.34).
- Furthermore, a significantly negative association was revealed between financial literacy and outstanding credit balance ($B = –0.46$, $p < 0.01$).
- Further, the regression model reported $R^2 = 0.27$, suggesting that 27% of the variance in the outstanding credit card debt balance could be predicted by financial literacy in the model.
- In addition, a significant negative Pearson correlation was found between financial literacy and outstanding credit card debt balance ($r = –0.58$, $p < 0.01$).
- This finding implies the existence of a relationship between higher levels of financial literacy and lower outstanding credit card balances, as well as other factors that affect debt status.

Suggestions

Workplace Financial Education: The IT companies may conduct practical trainings on financial literacy to address credit card issues. Such trainings should focus on the concepts of credit card interest, billing cycles, minimum payments, repayment schedules, budget allocation, and the dangers of carrying over balances.

Mandatory Financial Awareness: The banks and card issuing organizations may be mandated to provide educational materials and services to card owners when opening

accounts and periodically throughout the account usage period. Such activities should explain the concepts of interest rates, minimum payments, fees, and the consequences of continuous carrying over of balances.

Use of Digital Budgeting Tools: It is advised to encourage young employees to utilize online tools for accounting and budgeting to track their credit card expenses and payments.

Continuous Learning Approach: The process of educating young workers on credit cards should not be a one-time event. It is necessary to organize refresher courses, provide reminders, practical examples, and test the level of knowledge on a regular basis.

Government and NGO Initiatives: The government and non-governmental organizations may take part in creating and implementing financial literacy programs for young salary men and women. The content of the programs should be determined by the local card issuing companies and should reflect the most common credit card issues.

Credit Specific Training: Educational programs on credit cards should specifically focus on the cards rather than general financial literacy topics. The modules should be developed to help participants maintain responsible credit behaviour, manage payments and outstanding balances, avoid high-interest rates, and prevent the development of bad credit habits.

Limitations

The study utilized a convenience sample that limits the study because results cannot be generalized to the target population. The study design reported in the article is a cross-sectional study. There is a limitation of being able to infer causality from the study. For instance, the study report has a regression analysis, but the results do not indicate that the financial literacy program participation causes the decrease in the debt balance. A future study can employ a probability sample, a larger sample size, and a pre-post or longitudinal design to establish causality.

Conclusion

The research made an analysis of the relationship between credit card debt and financial literacy, which showed the existence of a link in the young IT professional community in Kerala. The participants' level of literacy was found to be moderately sufficient, with credit-card-related literacy being insufficient in the vast majority of the respondents. The study also revealed that an increase in financial literacy, particularly credit-related financial literacy, reduced the amount of debt carried by the young professionals. Nonetheless, as the study utilized convenience sampling and did not include control groups, the observed connection may be causal only in one direction. As such, it can be stated that credit-specific financial literacy training, along with improving financial education in the workplace, should become the priority in young professionals' development in order to address the existing credit-literacy challenges.

References

Agarwal, S., Amromin, G., Ben-David, I., Chomsisengphet, S., & Evanoff, D. D. (2015). Financial literacy and financial planning: Evidence from India. *Journal of Housing Economics, 27*, 4–21.

Fernandes, D., Lynch, J. G., Jr., & Netemeyer, R. G. (2014). Financial literacy, financial education, and downstream financial behaviors. *Management Science, 60*(8), 1861–1883.

Giannikos, C. I., & Korkou, E. D. (2025). Financial literacy and credit card payoff behaviors: Using generalized ordered logit and partial proportional odds models to measure American credit card holders' likelihood of repaying their credit cards. *International Journal of Financial Studies, 13*(1), Article 22.

Huston, S. J. (2010). Measuring financial literacy. *Journal of Consumer Affairs, 44*(2), 296–316.

Lone, U. M., & Bhat, S. A. (2024). Impact of financial literacy on financial well-being: A mediational role of financial self-efficacy. *Journal of Financial Services Marketing, 29*(1), 122–137.

Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature, 52*(1), 5–44.

Lusardi, A., & Tufano, P. (2015). Debt literacy, financial experiences, and overindebtedness. *Journal of Pension Economics & Finance, 14*(4), 332–368.

Lusardi, A., Mitchell, O. S., & Curto, V. (2010). Financial literacy among the young. *Journal of Consumer Affairs, 44*(2), 358–380.

Sharma, A. (2024). A study on financial literacy and credit card usage behavior among urban adults. *Journal of East-West Thought, 14*(4).