

Understanding Public Awareness and Perception of Interest Rate Changes and Their Impact on Financial Decisions in India

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Abstract—This research explores public awareness and understanding of interest rate changes and their impact on household financial decisions, such as saving, investing, and borrowing. With increasing financial inclusion and economic activity, understanding how interest rate fluctuations influence consumer behaviour is critical. A quantitative survey was conducted among 55 participants across different age groups and occupations using a structured Google Forms questionnaire.

Findings indicate that while a majority are aware of interest rates and their changing nature, there is a significant gap in understanding their broader economic impact. Many respondents were unsure about how interest rates influence EMIs or savings. The study also reveals strong support for incorporating financial education, especially on topics like interest rates, into the school curriculum. The results emphasize the need for enhanced financial literacy initiatives and transparent communication from financial institutions and policymakers.

Index Terms—Financial literacy, Interest rates, public awareness, Monetary policy, Household financial decisions, Economic behaviour

I. INTRODUCTION

Interest rates are a fundamental part of economic and financial systems. They influence borrowing costs, savings returns, investment decisions, and overall economic activity. Despite their importance, many individuals lack basic awareness or understanding of how interest rate's function and impact their daily lives.

This research addresses the gap between public awareness and actual understanding of interest rate mechanisms and their economic consequences. In a rapidly developing country like India, financial

literacy is becoming more essential for sound personal and national economic decisions.

Research Objective:

To assess the awareness, understanding, and perceived impact of interest rate changes among Indian households and explore the implications for financial literacy.

II. LITERATURE REVIEW

Numerous studies have emphasized the role of financial literacy in improving economic behaviour (Lusardi & Mitchell, 2014). According to the RBI (2021), awareness of monetary policy tools such as interest rates remains limited among the general public.

OECD (2018) reports that financial knowledge is crucial in making informed decisions about saving, borrowing, and investing. However, most people fail to grasp how macroeconomic tools affect their finances directly.

Unlike previous studies focused on macro-level impacts, this research concentrates on micro-level public awareness and behaviour in the Indian context, providing fresh insights into the connection between policy changes and individual decision-making.

III. HYPOTHESES

H1: The majority of the population lacks a clear understanding of the impact of interest rate changes on personal financial decisions.

H2: Changes in interest rates significantly influence decisions related to borrowing and saving in Indian households.

H3: There is a strong public opinion supporting the inclusion of financial education, particularly interest rate awareness, in school curriculums.

H0 (Null Hypothesis): Interest rate awareness does not significantly impact individual financial behaviour.

IV. RESEARCH METHODOLOGY

Type of Research: Quantitative

- Data Collection Method: Structured survey using Google Forms
- Sample Size: 55 respondents
- Sample Characteristics: Mixed group across age, gender, and occupation (students, employed, self-employed, retired)

V. DATA ANALYSIS

Demographic Profile: Majority of respondents were students (80%), followed by employed and self-employed individuals. Most participants were below 25 years of age.

Awareness of Interest Rates: 92.7% had heard of interest rates, and 96.4% were aware that rates change over time. A majority correctly identified that the central bank determines interest rates.

Impact on Daily Life: Many respondents acknowledged that interest rate changes affect EMIs, savings, and borrowing decisions.

Opinion on Education: Over 90% supported including financial education in school curricula.

VI. DISCUSSION

The findings indicate that while general awareness exists, deeper understanding is limited. Many respondents could not accurately explain how interest rate changes influence their personal finances. However, awareness was positively associated with better financial decision-making confidence.

VII. CONCLUSION

This study highlights that although most individuals are aware of interest rates, significant knowledge gaps remain. Interest rate changes do influence financial behaviour, particularly borrowing and

saving decisions. Strong support for financial education suggests that integrating such topics into school curricula could improve long-term financial literacy and economic well-being.

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