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Financial Literacy and its Determinants

Dr. S. P. Dhandayuthapani[1], Vinothkumar. N[2]
[1, 2]*Department of Management studies, University College of Engineering, Trichy*

Abstract: ***In today's advance and sophisticated financial landscape, financial literacy is important because it doesn't only influence and impact upon financial decisions at the firm level but also a country's wider financial wellbeing and socio-economic development.***
This study compares the financial literacy levels of urban areas by utilizing the results of the survey from the questionnaire developed by the OECD and by examining demographic and socio economic factors that influence the level of financial literacy. The results show that overall, the extent of monetary literacy in both areas is low and necessary measures should be taken by the government to extend awareness of monetary related matters.
The literature findings also reveal that demographic, economic, social, and psychological factors are the most determinants, that some common themes appear with reference to the results of monetary literacy on investment decisions, demographic factors, methodology and program effectiveness, and that gaps exist in the literature of financial literacy in Urban area with respect to types of investment and risk tolerance, measurement of monetary literacy, methodology and sources of data.
Keywords: Behavioral finance model, financial decision making, Investment decisions, Risk Tolerance, Traditional finance theory

I. INTRODUCTION

Within the present scenario, with the increasing complexity and availability of giant basket full of in depth kind of financial products and services, the task of managing money has become even harder particularly for youth. Nowadays, in developing countries like India, there are abundant financial products available even for lower income individuals, like bank account are often opened without minimum deposit; thus providing for huge alternatives to choose from (Filipiak and Walle, 2015). Now, it's upon the individuals on how and which options they select.

Because the youth need to live a extended life ahead, thus, the alternatives taken by them are becoming to affect them for a extended period of some time.

This makes it imperative to develop an understanding of the earth of finance to avoid wrong choice of monetary products. Lusardi and Tufano (2009) stressed the need of monetary competence (financial literacy) because the financial markets recently offer more complex products and thus the responsibility for investing and saving has shifted from government, employers (Herd et al., 2012) and even parents (who worry about their own retirements) (Mandell, 2006) onto the individuals.

Research from round the world has evidenced lower level of monetary literacy particularly among youth (van Rooij et al., 2009; Lusardi et al., 2010; IJSE financial literacy among the individuals of all age groups (Bernanke, 2011). that's why 45,1 several economies and organizations have attempted to enhance the financial literacy level of people . In Australia, Australian Securities and Investment Commission launched the ASIC (2011); New Zealand framed the National Strategy for Financial Literacy (2012). In UK, Financial Services Authority of UK and in India.

Federal Reserve System Bank of India (which has also opened various Financial Literacy Centers) is entrusted to undertake the efforts 174 to enhance financial literacy.

Financial literacy is of great relevance for the developing economies in conjunction with the developed economies as they strongly endeavor to reinforce the financial well-being of their citizens. Meanwhile, financial literacy is taken under consideration as how to expedite financial well-being, hence, possessing financial literacy would help the households with day to day financial tasks, affect financial emergency and even pull them out of the clutches of poverty (AlweePg Md Salleh, 2015).

Financial literacy and financial inclusion are integral to each other and are important because they're integral to attacking poverty. They are two elements of an integral strategy; while financial inclusion provides access; financial literacy provides awareness (Subbarao, 2013).

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II. LITERATURE REVIEW

A. Chen and Volpe, 1998; Beal and Delpachitra, 2003; Allen et al.2007 concluded that young people comprise poor financial literacy skills. The researchers have analyzed the relationship between the financial literacy and student characteristics. Their research concludes that their characteristics impact their level of financial literacy. Students in lower class rank, an adult 31 32 with little work experience and female have a low level of financial knowledge.

B. Adele Atkinson (2004) have found that young adults age between 16-24 years has average levels of financial literacy. The study also found that the respondents have a high risk of over-borrowing which leads them to financial difficulties in future

C. Samy M.Tawfik (2006) conducted a study on the credit card usage and found that determinants of credit card are dependent on student's credit card status and knowledge of credit cards.

D. Paul Clitheroe (2007) have made a survey consisting of 7,500 respondents in Australia and found that the respondents do not have good investment habits and they need to concentrate on areas such as budgeting, savings and credit management.

E. Lusardi and Mitchell (2011) assessed the financial literacy across 8 countries (Germany, Netherlands, Sweden, Japan, Italy, New Zealand, United States and Russia) and found that women are less financially literate than men and also evidenced that ethnic, racial and regional differences have an impact on the financial knowledge.

F. Atkinson and messy (2011) presented a report on financial education surveyed conducted by taking 12 countries (Armenia, Czech Republic, 29 30 Estonia, Germany, Hungary, Ireland, Malaysia, Peru, Poland, UK, South Africa and Norway) and concluded that knowledge, behavior and attitude are the components of financial literacy in order to assess the financial literacy.

G. Kenichiro Chinen (2012) investigated the personal financial ability of the students and concluded that there exists a positive association between those who take finance and economy as their specialization. The study also shows that the personal financial management skills are affected by age, gender and education of parents among the college students.

H. Azwadi Ali (2013) examined the factors of financial literacy and its relationship with the financial stability of Malaysian people. The study has identified five financial literacy index namely basic money management, financial planning, investment know- how, attitude to money and financial activities.

III. OBJECTIVES

The following are the objectives of this present study-

A. To determine the level of financial literacy among urban regions.

B. To find out the relationship between financial literacy and various demographic and socio-economic Factors.

IV. HYPOTHESIS

For the purpose of this study following hypothesis has been proposed:

A. Hypothesis 1

1) H: There is no association between gender and monetary acquisition level of urban regions.

2) H0: There is an association between gender and monetary acquisition level of urban regions.

B. Hypothesis 2

1) H0: There is no association between age and monetary acquisition level of urban regions

2) H1: There is an association between age and monetary acquisition level of urban regions.

C. Hypothesis 3

1) H0: There is no association between education and monetary acquisition level of urban regions.

2) H1: There is an association between education and monetary acquisition level of urban regions.

D. Hypothesis 4

1) H0: There is no association between income and monetary acquisition level of urban regions.

2) H1: There is an association between income and monetary acquisition level of urban regions.

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E. Hypothesis 5

1) H0: There is no association between geographic region and monetary acquisition level of urban regions.

2) H1: There is an association between geographic region and monetary acquisition level of urban regions.

V. METHODOLOGY

For the aim of the study a survey was conducted among the salaried people of the state. Period sampling has been utilized in order to induce sample distribution of the population. Out of total 37 districts of state, 3 districts particularly, Vellore, Ranipet and Tirupattur were selected at random (first stage).

{The selected |the chosen} districts were divided into sub-divisions and 2 sub-divisions per district were selected at random (second stage).

From every selected sub divisions, respondents were selected handily mistreatment some common criteria like place of labor (urban or rural), activity standing (government or non-government employee) thus on get sample distribution of the population. Primary information from the respondents was collected by employing a structured form. A complete of 516 respondents represents a sample for this study.

To envision the monetary acquirement level, 13 questions about personal finance were asked from the respondents. The queries were asked so as to live respondent's information within the areas of economic accomplishment, savings and investments, borrowings, insurance, risk and come back. Total score for every respondent is calculated by giving one mark for every correct answer and for incorrect answer no negative marking was done. The whole for every respondent was additional regenerate into their proportion score.

The hypothesis of this study has been tested with the assistance of analysis of variance. The hypothesis has been tested at five-hitter significance level.

The results of analysis of variance square measure displayed in Table two. Table two shows the Mean score, F price and significance level of economic acquirement level supported varied demographic and socio-economic factors.

VI. RESULTS AND DISCUSSION

Table 1 offers the outline of the demographic and socio-economic characteristics of the respondents. A glance at demographic and socio-economic detail shows that proportion of male respondents is 68.8% and female respondents is 31.2%. 35.7% of the respondents fall within the cohort of 31-40 years and 38.6% fall within the age group of 41-50 years. Majority of the respondents i.e. 43.95% in our sample area unit graduates followed by 50.6% having post graduate degree. The respondents additionally constitutes government (46.7%) and non-government(53.3%) workers. sixty one of the respondents have associate annual financial gain between Rs. 2-5 lacs followed by 34..3% respondents WHO earn between Rs. 5-10 lacs annually. The proportion of respondents from Vellore, Ranipet and Thirupattur districts is 33.2%, 34.5% and 29.3% severally.

A. Association Between Gender And Money Acquisition Level

Table 2 shows the mean score of economic acquirement level of males and females. The results indicate that financial literacy of males is over females. The mean score of males was found to be 63.41% which of females was found to be 53.46%. From Table two it are often seen that F price is critical at five-hitter significance level, hence H0of hypothesis one – there's no association between gender and money acquirement level is rejected. Therefore it can be finished that there's a major distinction between male and feminine respondents in terms of financial literacy level.

B. Association Between Age And Monetary Acquisition Level

Table 2 shows the mean score of economic acquisition level for various age teams. It is ascertained from the table that as age progresses monetary acquisition level conjointly will increase. Most monetary acquisition level 68.38% is shown by respondents falling in people of over sixty years followed by fifty nine.66% for people of 51-60 years. So as to examine applied mathematics distinction in mean scores supported age, hypothesis a pair of is tested victimization ANOVA and F worth is calculated. From the table, it is seen that F worth isn't important at five-hitter significance level, hence H0 of hypothesis2-There isn't any association between age and monetary acquisition level isn't rejected. Thus it can be ended the monetary acquisition level doesn't depends on age.

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Table 1. Demographic and Socioeconomic Details of the Respondents

		Frequency	Percentage
GENDER	Male	355	68.8%
	Female	161	31.2%
AGE(YEARS)	20-30	101	19.6%
	31-40	153	29.7%
	41-50	158	30.6%
	51-60	90	17.4%
	>60	14	2.7%
EDUCATION	10+2	39	7.6%
	Graduate	237	45.9%
	Post Graduate	220	42.6%
	PhD	20	3.9%
INCOME PER ANNUM	upto2 lacs	315	61.0%
	2-5 lacs	177	34.3%
	5-10 lacs	24	4.7%
GEOGRAPHIC REGION	Vellore	187	36.2%
	Ranipet	178	34.5%
	Tirupattur	151	29.3%

Source: Primary Data

C. Association Between Education And Money Acquisition Level

Table two shows that money acquisition level is correlative with the amount of education. A lot of the education level more is that the level of economic acquisition. Table two shows that money acquisition level is highest for respondents who have Ph.D. degree (66.54%) followed by those respondents who have post graduate degree (61.43%). From the table it may be seen that F worth is significant- at five-hitter significance level. Thus H0 of Hypothesis 3-There is not any association between education level and money acquisition level is rejected. So it may be finished that money acquisition level depends on the education level.

D. Association Between Financial Gain And Money Acquisition Level

The results of the Table two indicate that a lot of the financial gain, a lot of cans the amount of economic acquisition. Table 2 shows that money acquisition level is highest for respondents having financial gain level between Rs 10-15 lacs (71.47%) each year followed by people who earn between Rs. 5-10 lacs (63.06%) each year. From the table it can be seen that F worth is significant-at five-hitter significance level. Thus H0 of hypothesis 4 - there's no association between financial gain and money acquisition level is rejected. So it may be finished that money literacy level depends on the financial gain of an individual.

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Table 2. Mean and F values of money acquisition level

		Mean	F value	Significance
GENDER	Male	61.46	55.708	.000
	Female	51.46		
AGE	20-30	56.59	1.350	.250
	31-40	58.22		
	41-50	58.08		
	51-60	59.66		
	>60	65.38		
EDUCATIONAL	10+2	49.90	12.107	.000
	Degree	56.09		
	Post graduate	61.43		
	PhD	66.54		
INCOME PER ANNUM	upo 2 lacs	54.63	31.946	.000
	2-5 lacs	63.06		
	5-10 lacs	71.47		
GEOGRAPHICAL REGION	Vellore	58.04	0.808	0.446
	Ranipet	59.38		
	Tirupattur	57.36		

Source: Primary Data

E. Association Between Geographical Region And Money Acquisition Level

From Table two, it may be seen that money acquisition level of respondents is sort of same for all the 3 districts. Also from the table it may be seen that F worth isn't significant- at five-hitter significance level, thus H0 of hypothesis 5-There is not any association between geographical region and money acquisition level isn't rejected. So it may be finished that money acquisition level doesn't rely upon geographical region.

VII. FINDINGS

A. Overall money acquisition level of fifty eight.30% among salaried people isn't terribly encouraging.

B. Money acquisition level of males is over that of females. The distinction is additionally statistically significant.

C. Money acquisition is highest for people who square measure quite sixty years ancient followed by people of the cohort of 51-60 years. Level of economic acquisition is lowest for young respondents i.e. who are in the cohort of 20-30 years. The results of ANOVA show that distinction in respondent's money literacy level supported age isn't statistically vital

D. Level of economic acquisition is absolutely associated with education and financial gain level i.e. our results indicate that money acquisition level will increase with increase in education and financial gain level. The results square measure statistically vital

E. Workers operating in urban square measure as are a lot of financially literate as compared to those operating rural areas

F. The workers operating in non-government jobs square measure a lot of financially literate as compared to those in government jobs and therefore the distinction is statistically vital.

G. Geographical region doesn't have an effect on the amount of economic acquisition considerably

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VIII. CONCLUSION

From the higher than analysis it may be finished that overall money acquisition level of fifty eight.30% among all respondents isn't encouraging. This shows that in our country folk's square measure still not abundant aware of their finance connected problems. The results counsel that level of economic acquisition varies considerably among respondents based on varied demographic and socio – economic factors. It may be finished that money acquisition level gets affected by gender, education, income, nature of employment and place of labor whereas it doesn't get affected
by age and geographical region.
Overall it may be finished that money acquisition level is low in our country and necessary measures ought to be taken by government to extend awareness concerning money connected matters.

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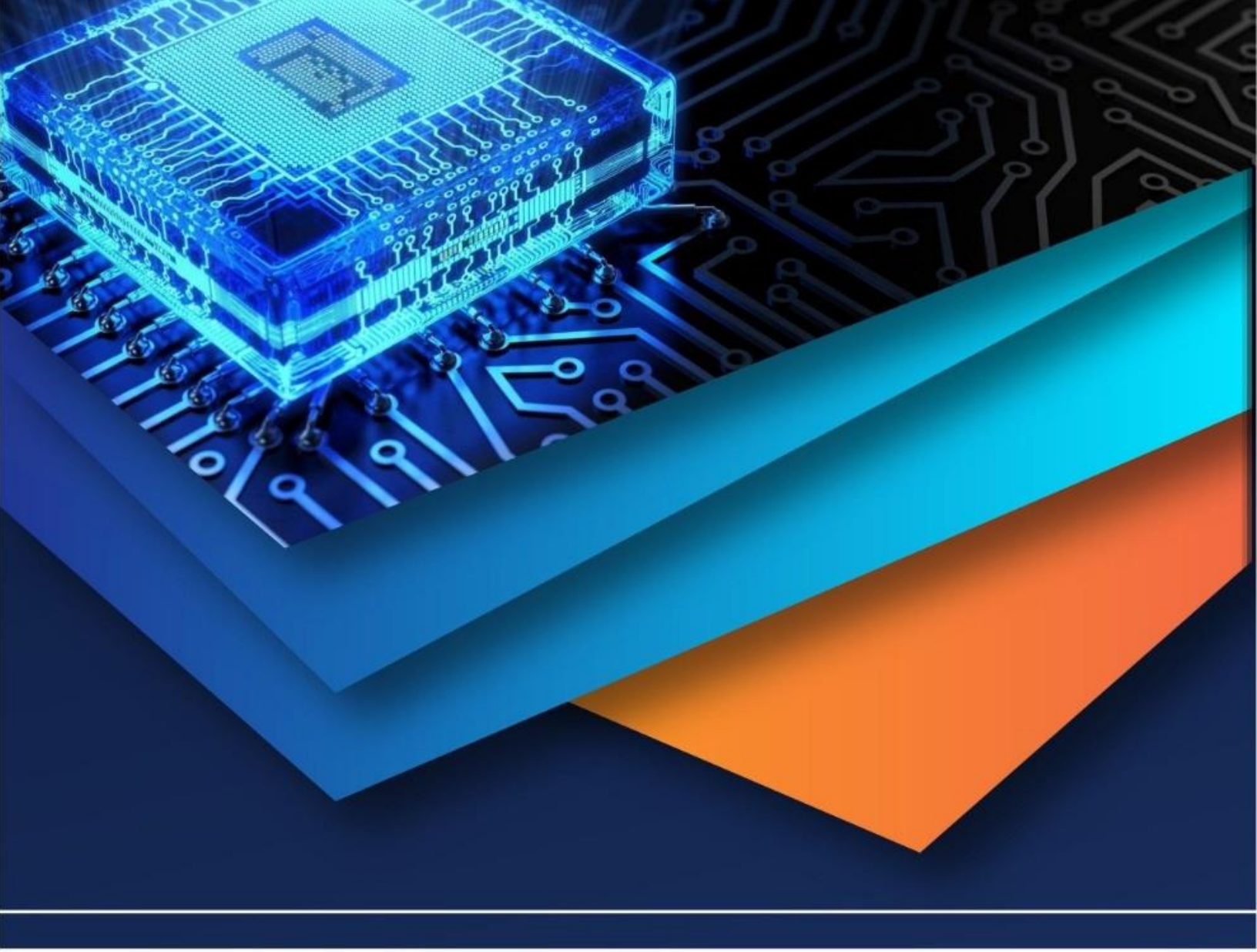

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