



MEASUREMENT OF AWARENESS

LEVEL ON FINANCIAL

LITERACY

(A STUDY RELATED TO SELECTED INDIVIDUALS IN SOUTH CHENNAI)

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Abstract:

Financial literacy is the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. The present paper aims to assess the level of financial literacy of Individuals of South Chennai. The study also investigates the association between demographical factors(viz., age, gender, occupation, marital status, education, monthly income, family type) and financial literacy of the people of South Chennai . The Collection of data was made through primary method. The instrument used is questionnaire. It has two section, first section deals with demographic profile of the respondents and second section is about basic and advanced financial literacy of the people. Percentage method, Cross tabulation are used for the analysis. The study concludes that the financial literacy level of South Chennai is low. Male have higher financial literacy when compared to female. Thus, it suggest Government, policy makers, banks, financial institutions, regulatory Bodies like SEBI to focus on micro level segment of individuals in both urban and rural regions.

Keywords: Financial Literacy, SEBI, RBI, Individuals

1. INTRODUCTION

The Economic reforms 1991 have resulted into the The major economic policy of

liberalization, Globalisation and privatisation brought into India availability of numerous financial products and services. In the developing countries like India, financial literacy is treated as first step for eradication of poverty and development of the country. Financial literacy helps to improve the standard of living of people of the country. OECD has taken a global initiatives to address the problems involved in financial literacy in the March 2008. The Consumer Protection and Financial Literacy Project, another global initiatives was taken in 2010 by the World Bank to help a individuals in making correct choice among various financial products and services. The Indian Financial Markets brought major changes like establishment of SEBI, introduction of nationwide screen based trading, online trading, demat account, derivative market, risk management techniques etc.,

Various steps have been taken in India in this area in order to enhance financial literacy of the people. Mainly Reserve Bank of India is continuously making efforts to create a financial awareness among the people of the country The mode of information dissemination is through presentations, pamphlets, websites, films, etc. Also has launched one _financial education site from November 2007 .This site caters to the children as well as the women, rural and urban poor, senior citizens. This site is primarily to provide knowledge regarding basics of _finance, banking and central banking to children of all the age levels. It has films on currency security and deals with familiarizing school children on India's various currency notes through one of their games section. Reserve Bank has directed all its leading banks in each district to prepare a road map to ensure that all the villages must have access to the financial services for a village having



population more than 2000, through a banking outlet which may not necessarily be a banking branch. All the commercial banks including private sector banks, public sector or foreign origin banks to prepare a special board approved plan to enhance financial literacy. RBI website: has a link on its website on Financial Education, which has material in English, Hindi and 11 vernacular languages, has comic books on money management and banking for children, financial planning messages, _films, games to teach financial education, and link and link for accessing the Banking Ombudsman Scheme. Creating awareness by circulating pamphlets, comic books, by playing skits and plays, stalls in local fairs, exhibitions, participation in programs based on literacy or information organised by the press. Many books on financial planning have also been floated for students and professionals. Numerous banks established Financial Literacy Centers (FLCs) to educate the public about financial products, offer counseling services, and promote financial literacy. This study focuses on measuring the financial literacy among the individuals of South Chennai .

2. LITERATURE REVIEW

Lusardi, A., Mitchell, O. S., and Curto, V. (2010) investigated to define financial knowledge as financial literacy, attempted to study the young group in U.S and collected the data using National Longitudinal Survey of Youth in 2007-08. . The purpose of the questions was to find out if the young were prepared to make wise financial decisions. Less than one-third of young individuals have a fundamental understanding of interest rates, inflation, and risk diversification, indicating a low level of financial literacy. It is further found that socio demographical characteristics and financial sophistication of family significantly influences the financial literacy level of the people.

People who showed a higher score in financial knowledge had a better behavior towards credit card payments (Hernández-Mejía *et al.* (2021). Amari *et al.* (2020) have a link

between FE, FL, and sociodemographic variables on saving behavior. Similarly, Peng *et al.* (2007) addresses money management as a basic component of personal finance including saving practices, credit, and budgeting. The advent of credit and debit cards is significant for the use of credit and savings, respectively, and should be mentioned since good money management and its appropriate application lead to personal financial management that promotes financial wellness.

Annamaria Lusardi (2008) , the study showed that financial illiteracy is widespread among the U.S. population and specifically acute among some specific demographic groups, like those with low level of education, women, African-Americans, and Hispanics. Also, almost half of older workers did not know which type of pensions they had and the large majority of workers knew little about the rules governing Social Security benefits. Notwithstanding the lowered literacy levels that many individuals displayed, very few were depending on the help of experts or financial advisors to made saving and investment decisions.

Agarwalla(2013) found that working young in urban India possess strong financial literacy. Gender, age, education level, marital status, family income, financial decision-making process, and spending budgeting were the characteristics used to gather data. The impact of sociodemographic characteristics on financial literacy was verified by the study.

Sobhesh Kumar (2012) found that the higher financial knowledge people possess the higher level of financial knowledge. For the study, researcher took sample of 2,967 general public which comprises the population of working adults, retired and students . It is further proved that the Men have good financial knowledge compared to female.

Chen and Volpe (2002), found that women generally have financial knowledge about personal finance as compared to male . Also found that education and experience have



significant influences on level of financial literacy. Kummar & Annes (2013) pointed out that the financial literacy level majorly depends on education and income level of the individuals, the social factors such like family size, family background, age, regions, nature of employment.

3. Objectives of the Study:

The objectives of the present study are as follows:

- ✓ To measure the level of financial literacy among the individuals of South Chennai
- ✓ To study the association between levels of financial literacy and their demographical factors.

4. Research Design:

The study is an empirical study. Both primary as well as secondary data are used for the study. The Primary data is collected through questionnaire. Random sampling was used. For the present study individuals of South Chennai are considered as the population for the study. The sample size for the present study is 100 individuals. The first section of the questionnaire contains demographical profile, Section second contains 52 questions which are financial literacy questions. Books, research journals, online published reports magazines, newspapers, website were used for collecting secondary data.

5. Analysis of Data and Interpretation

The collected data is analysed and tabulated below to explore the study's objectives. Demographical profile includes age, gender, education qualification, occupation, marital status, monthly income, family type.

Table 1: Percentage distribution showing Demographical profile of respondents

Demographical profile	Categories	Frequency
Gender	Male	61
	Female	39
Age	Below 30 years	24
	31 years – 40 years	22
	41 years – 50 years	32
	51 years – 60 years	12
	Above 61 years	10
Education	SSLC	6
	HSC	14
	Diploma	12
	Under Graduate	7
	Post Graduate	56
	Doctorate	6
Occupation	Salaried	60
	Self employed/business	13
	Professional	13
	Retired	8
	Student	6
Married Status	Married	72
	Unmarried	28
Monthly Income	Upto Rs.10,000	4
	Rs.10,000 – Rs.20,000	2
	Rs.20,001 – Rs.30,000	7
	Rs.30,001 – Rs. 40,000	7
	Rs.40,001 – 50,000	11
	Above Rs. 50,001	69
Type of Family	Nuclear	30
	Joint	70

As shown in table 1, out of the total respondents, male are 61 and 39%are female . The majority of the respondents belong to the age group of 41 years to 50 years. Most of the respondents are post graduated(n= 56). 60 respondents (majority) are salaried. 72 respondents are married whereas 28 are unmarried. Most of the respondents (n=69) get salary of more than Rs.50,000. 70 individuals live in joint family whereas 30 individuals live in nuclear family.

Table 2 : Basic Financial Literacy level test of individuals

Basic Financial literacy questions	% of awareness among individual
Investment	58.26%
Inflation	68.22%
Compound interest	62.56%
Diversification of risk	81%
Stock market functioning	49.12%
Bank account types	71.23%
Know your customer	71.23%
Time value of Money	69.28%
Trade off between Risk-return	37.45%
Regulatory Body	62%



Analysis of financial literacy levels of the respondents, Out of the 20 questions, the questions are classified into two categories: Basic financial literacy level and Advanced Financial literacy level. The median percentage of correct answers of the sample respondents is considered to find out financial literacy level and to further segregate them into subgroups. The respondents having scores above median are considered as respondents with higher financial literacy and hence classified as respondents with high financial literacy and respondents with scores equal to or less than median are considered as with relatively low financial literacy and hence classified as lower financially literate respondents. The result indicates that on an average respondent answered 60 per cent of the questions correctly. The median percentage of correct responses is 60.00. As a whole, the performance of the respondents towards 10 questions of basic financial literacy is shown in table 2. Percentage of the total respondents who answered each question correctly is shown in second column of the same table.

Table 3: Advanced Financial Literacy level test of individuals

Advanced Financial literacy questions	% of awareness among individual
Fixed Deposit	78.23%
National Saving Certificate	48.29%
Public Provident Fund	71.23%
Employee Provident Fund	40.12%
Equity shares	34.78%
Preference shares	23.12%
Mutual fund	59.12%
Debentures and Bonds	43
Post Office Monthly income scheme	45.23%
Insurance Policy	69.34%

Table 3 displays overall performance of the respondents towards advanced literacy 10 questions. With respect to advanced financial literacy, it can be seen from table 3 that respondents scores highest on the product i.e. “Fixed deposits (78.23 % of correct answer), public provident fund (PPF -71.23 % of correct answer), and Insurance policy (69.34% of correct answer)”. The respondent s are less knowledgeable on the following investment alternatives, i.e. mutual funds (59.12 % of

correct answer), National Saving Certificates (NSC 48.29 % of correct answers), Post Office income Monthly Scheme (POIMS 45.23 % of correct answers), debentures and bonds (43% of correct answers) employee provident fund (EPF 40.12 % of correct answers) ,Equity Shares (34.78 % of correct answers) and Preference Shares (23.12% of correct answers).

The overall results show that out of 100 respondents 48 % respondents scored higher than median, which is 60.00 and hence these individuals are considered as with higher level of financial literacy. The remaining 52 % of respondents have scored equal and/or lower than median. These individuals are considered as respondents with relatively lower level of financial literacy and thus classified as lower financially literacy.

Cross tabulation to investigate association between financial literacy levels and demographic and socioeconomic factors 1. Association between individual's Gender and their Financial literacy level The data of the individuals' gender and their financial literacy level is given in Table 4. Table shows that females have low level (53.84%) of financial literacy as compare to males (50.81%).

Association between gender and financial literacy

Table 4: Cross tabulation of Individuals' Gender and their Financial Literacy Level

Financial literacy level	Male	Female	Total
Low	31	21	52
Percentage	50.81%	53.84%	
High	30	18	48
Percentage	49.18%	46.15%	
Total	61	39	100

Table 5 : Cross tabulation of Individuals' Age and their Financial Literacy Level



Financial literacy level	Below 30	31-40	41-50	51-60	Above 60 years	Total
Low	16	8	11	9	8	52
Percentage	66.66%	36.36%	34.3%	75%	80%	52%
High	8	14	21	3	2	48
Percentage	33.33%	63.64%	65.62%	25%	20%	48%
Total	24	22	32	12	10	100

The Table 5 shows that out of the total respondents belonging to age group of 25-30 years, 16% are having low financial literacy rate and 8 % as high financial literacy level. In contrast to 31-35 years, 41-45 years 46-50 years age groups where respondents are having high percentage of high level of financial literacy. The age group 31-35 years has highest financial literacy rate. The age group shows lowest of the financial literacy level.

Association between individual's Monthly Income and their financial literacy level

The Table 6 shows that out of the total respondents, people earning above 50,001 have high financial literacy (49.27%) as compare to the individuals in group of upto 10,000 income (0%) level. Also the respondents in the income group of 20,001-30,000 shows highest high level of financial literacy.

Financial Literacy Level	Up to Rs. 10,000	Rs.10,000-20,000	Rs.20,000-30,000	Rs.30,000-40,000	Rs.40,000-50,000	Above 50,000	Total
Low	4	1	3	4	5	35	52
Percentage	100%	50%	42.85%	57.14%	45.45%	50.72%	52%
High	0	1	4	3	6	34	48
Percentage	0%	50%	57.14%	42.85%	54.54%	49.27%	48%
Total	4	2	7	7	11	69	100

Table 6: Association between individual's Occupation and their Financial literacy level

Table 7 shows that retired (66.67%) individuals are showing low level of financial literacy as compare to full time salaried (47.06%) individuals. Full time salaried

(52.94%) as per the data shows are more highly financial literate as compare to other groups. while in the group who are self employed or running a business the low and high financial literacy is equally distributed.

Table 7 : Cross tabulation of Individuals' Occupation and their Financial Literacy Level

Financial Literacy Level	Salaried	Self employed/ Business	Professional	Retired	Student	Total
Low	29	7	7	5	3	52
Percentage	48.33%	53.4%	53.84%	62.5%	50%	52%
High	31	6	6	3	3	48
Percentage	51.67%	46.15%	46.15%	37.5%	50%	48%
Total	60	13	13	8	6	100

Association between individuals' Educational Qualifications and their Financial literacy level

Table 8 shows that respondents with primary education (100%) are found to be having low level of financial literacy as compare to the doctorates. Under graduates (57.1%) finds to be having high level financial literacy as compare to the primary educated respondents

Table 8 : Cross tabulation of Individuals' Education and their Financial Literacy Level

Financial Literacy Level	SSLC	HSC	Diploma	Under Graduate	Post Graduate	Doctorate	Total
Low	5	8	8	3	28	0	52
Percentage	83.33%	57.14%	66.67%	42.85%	50.915%	0%	
High	1	6	4	4	27	6	48
Percentage	16.67%	42.85%	33.33%	57.14%	49.09%	100%	
Total	6	14	12	7	55	6	100

Association between individuals' Marital Status and their financial literacy level

Table 9 shows that unmarried respondents (82.14%) are having low level of financial literacy. And married (59.72%) respondents are having high level of financial literacy.

Table 9 : Cross tabulation of Individuals' Marital status and their Financial Literacy Level



Financial Literacy Level	Married	Unmarried	Total
Low	29	23	52
Percentage	40.28	82.14	52
High	43	05	48
Percentage	59.72	17.86	48
Total	72	28	100

Association between Individuals' Family type and their financial literacy level

The Table 10 shows that respondents living in nuclear family (89.28%) possess low level of financial literacy .And respondents living in joint family (62.5%) possess high level of financial literacy.

Table 10. Cross tabulation of Individuals' Family type and\ their Financial Literacy Level

Financial Literacy Level	Joint family	Nuclear family	Total
Low	27	25	52
Percentage	37.5	89.28	52
High	45	3	48
Percentage	62.5	10.71	48
Total	72	28	100

6. FINDINGS & CONCLUSION

From the study, it is inferred that overall financial literacy of people in South Chennai is less. The level of financial literacy with male is high when compared with female. This may be because of the decision making power of the male in family. The financial literacy level is low with low income group. The study of data analysis reveals that as the education increase financial literacy level moves from low to high. Also respondents who are unmarried possess low level of financial literacy as compare to the married may be the attitude and lifecycle stage affects the financial literacy level. Respondents living in joint family are having high financial literacy level may be due to the reason they can take advice from the family members and keep on receiving knowledge input from the members of the family. Thus it is suggested that RBI along with the many other financial institutions should committed to impart training on financial literacy to the common

man i.e. focusing on micro level segment of individuals in both urban and rural regions.

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