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FINANCIAL LITERACY INTENSIFICATION IN RAJASTHAN: AN EXPLORATORY STUDY

Prof. (Dr.) Raju Agrawal¹

Director, S. S. Jain Subodh Management Institute, Jaipur, Rajasthan, India

Mrs. Kaneenika Jain²

Assistant Professor, S. S. Jain Subodh Management Institute, Jaipur, Rajasthan, India

Dr. Supriya Agarwal³

Associate Professor, S. S. Jain Subodh Management Institute, Jaipur, Rajasthan, India

ABSTRACT

The people around the world are becoming techno savvy and more educated in comparison to last decade. But when it comes to financial literacy the scenario is disappointing in the developing countries like India. For the better returns and proper management of money financial literacy is exceptionally necessary. The government of India is providing financial education through various financial literacy centre established by RBI and other banks all over the nation. Financial literacy among the residents directly affects the economic growth of the country. This paper is an effort to identify the awareness regarding importance of well –resourced financial decisions and measure the level of financial literacy among the respondents through primary research. The analysis of data has depicted that financial literacy level is immensely affected by gender, education, and occupation. This study also suggests that the Government should enhance the ways for improving the literacy for financial resources and related decisions.

KEYWORDS: *Financial literacy, knowledge, financial behavior, India, .*

INTRODUCTION

The youth population around the world is becoming smarter and more technology inclined due to higher reach to education as compared to last two decades. The scenario is similar in the economy of India. Literacy rate has shown an upshot in many urban and rural provinces in India. But when the financial side of knowledge is measured it is found that there are low financial literacy levels among Indians. The situation is similar in many countries around the world. The term financial literacy is related with the basic knowledge, skills and attitude related to financial decisions and their consequences. The adequacy of

financial literacy is essential for the financial well being of an individual as well as for economic development of a country.

According to S& P Global Finlit survey conducted over 140 countries with 1, 50,000 people; there are low levels of financial literacy around the world. 33% of adults are financially literate. 57% of adults in USA are financially literate as compared to 33% of adults worldwide. This survey probes knowledge of four basic financial concepts: inflation, numeracy, risk diversification and interest compounding. Numeracy and inflation are the most understood concept. Women's financial literacy levels

are lower than men's. Worldwide 35% of men and 33% of women are financially literate. The neighboring countries of India and their average financial literacy level are shown in table below.

S.No.	Country	% of adults who are financially literate
1.	Bhutan	54
2.	China	28
3.	India	24
4.	Pakistan	26
5.	Sri Lanka	35

Source: Financial Literacy around the World: S& P Global Financial Literacy Survey

For assessing financial literacy around the world Organization for Economic Co-operation and Development (OECD) plays pivotal role. OECD defines financial literacy as 'a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual wellbeing'. Based on OECD recommendations, India created top level institutional structure in 2011 under the aegis of Financial Stability and Development Council (FSDC). The Reserve Bank of India has recommended banks to establish Financial Literacy and Credit Counseling Centre to provide financial education and credit counseling to the customers free of cost. The Financial Literacy week is also organized by RBI for betterment of financial knowledge among Indians.

Based on OCED reports the financial literacy has three main components, namely financial knowledge, financial behavior and financial attitude.

1. Financial Knowledge – It relates to the individual's ability and skills regarding financial matters. It can be measured across parameters like purchasing power, interest paid on loans, simple interest calculation, compound interest on savings, risk-return relationship, benefit of diversification and meaning of inflation.

2. Financial Behavior – It can be defined as any human behavior that is relevant to money management. Common financial behaviors include cash, credit and saving behavior. It includes dimensions like making household budget, active savings behavior, making affordable purchases, on time bills payment, close watch on financial affairs, long – term financial goal setting, informed choice of financial products.

3. Financial Attitude – It is a very vital component of financial literacy. Financial attitude can be referred as the inclination or likelihood of an Individual towards a financial practice or action. It is assessed on the short time parameters like tendency to live for today, tendency to spend money than save it.

OBJECTIVES OF THE STUDY

The present research is carried out with the foremost objective of assessing the financial literacy level

among the residents of Jaipur city, India. The other objectives of the study are as under:

- To examine the difference in financial literacy on basis of gender.
- To identify the impact of education on level of financial literacy.
- To study the relationship between the occupation and the extent of literacy for financial decisions.

METHODOLOGY

The present research uses the exploratory research design with primary data. The data utilized in this study are both primary and secondary. The secondary sources comprises of newspapers, websites, journals, research articles, review articles etc. For primary data collection a well structured questionnaire was distributed among the residents of various locations in Jaipur city. Total 175 questionnaires were distributed out of which 140 questionnaires were found appropriate for data analysis.

Statistical Tools used for Data Analysis:

- Percentage analysis
- P -test
- Analysis of Variance (Two way)

HYPOTHESIS

- **H0:** There is no association between occupation and gender with Financial Literacy.

H₁: There is association between occupation and gender with Financial Literacy.

- **H0:** There is no difference in financial literacy due to education and gender.

H₁: There is significant difference in financial literacy due to education and gender.

DATA ANALYSIS AND INTERPRETATION

The primary data was collected through a well structured questionnaire including multiple choice questions and rating questions using likert scale. The five types of responses were marked on likert scale from strongly agree to strongly disagree. The questions were designed to gather information regarding

financial knowledge, financial behavior and financial attitude. The questionnaires were distributed among 175 respondents out of which 140 questionnaires were considered appropriate for analysis. The data analysis and findings are based on these 140 respondents' responses.

A. Association between Gender and Financial Literacy:

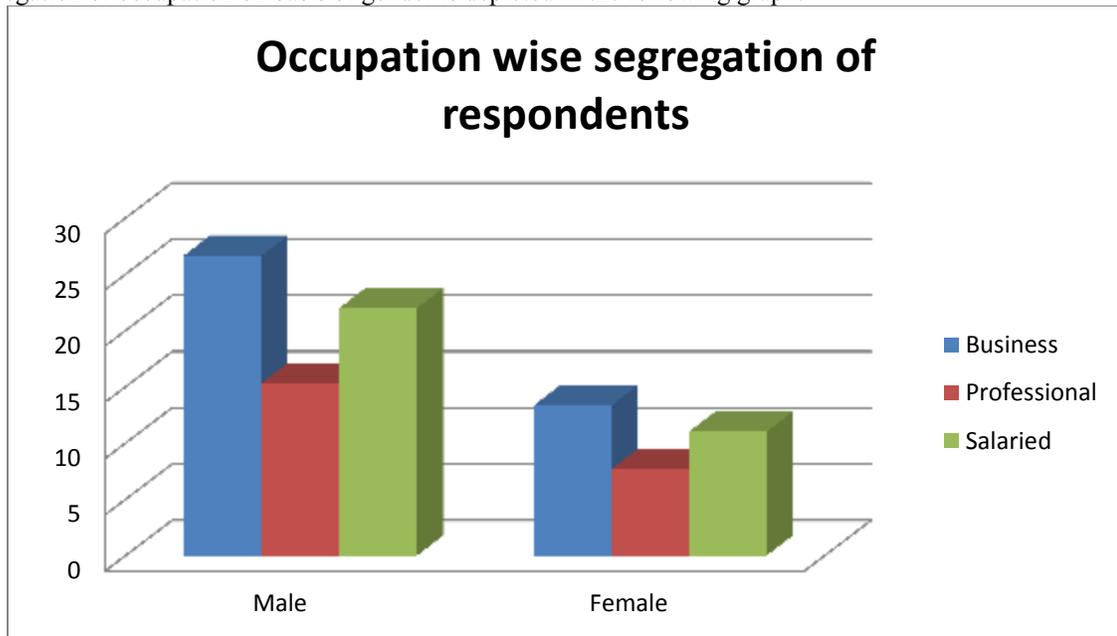
To analyze the association between Gender and Financial Literacy Level the percentage analysis was used. Out of 140 respondents 68.57% of respondents were financially literate. On the examination of questionnaires it was found that 45.71% of males and 22.86% of females were financially literate.

Gender	Literate (in %)	Illiterate (in %)	Total (in %)
Male	45.71	11.43	57.14
Female	22.86	20	42.86
Total (in %)	68.57	31.43	

Source: Primary Data

B. Association between Occupation and Gender with Financial Literacy:

The segregation of occupation on basis of gender is depicted in the following graph.



Source: Primary Data

The effect of occupation and gender on financial literacy was examined using P test and two way ANOVA.

a) Using ANOVA: The data collected through questionnaire was segregated according to Occupation and gender. The gender options taken were male and female in rows and in columns three types of occupations i.e. Business, Professional and Salaried were analyzed using ANOVA.

The critical value of F at $\alpha = 0.05$ is 18.51 for rows. The calculated value of F for rows is 146.29. As the calculated value is greater than the critical value the null hypothesis is rejected. The financial literacy level

is different in males and females. Males are much more financially literate than females.

For columns (i.e. types of occupations) the critical value of F at $\alpha = 0.05$ is 19. The calculated value of F for different classes of occupations (column) is 31.29, which is greater than the critical value. Thus, null hypothesis is rejected. Therefore, it may be concluded that there is significant association between types of occupations and financial literacy level.

Table 2: Two way ANOVA results for Hypothesis 1

Source of Variance	df	F	P-value	F-crit
Rows (Gender)	1	146.29	0.01	18.51
Columns (Occupation)	2	31.29	0.03	19.00
Error	2			

Source: Primary Data

b) Using P-test: If the P value is less than the alpha, then there is a statistically significant difference between groups. In the present case the P value between rows (i.e. gender) is 0.01 and between columns (i.e. occupation) is 0.03 which is less than 0.05. So there is significant difference between financial literacy on basis of gender and various occupations.

C. Impact of education and gender on financial literacy level:

The association between education and gender with financial literacy level was analyzed using ANOVA (two way) and P test.

a) Using ANOVA: For two way ANOVA, Gender and education level were taken as two independent variables. For calculations two

Table 3: Results of ANOVA (two way) for Hypothesis 2

Source of Variance	df	F	P-value	F-crit
Rows (Gender)	1	18.29	0.02	10.13
Columns (Education Level)	3	13.19	0.03	9.28
Error	3			

Source: Primary Data

b) Using P-test: As per statistics, if the P value is less than the alpha, then there is a statistically significant difference between groups. In this study the P value between rows (gender) is 0.02 and between columns (education level) is 0.03 which is less than 0.05. So there is significant difference between financial literacy on basis of gender and various education levels.

CONCLUSION

Financial literacy is an appropriate combination of financial knowledge, financial behavior and financial attitude. It plays a pivotal role in financial well being of an individual and his or her family. High financial literacy level results into better economic development of a country. The various reports based on assessment of literacy related to financial matters came out with a fact that most of the countries are below average financial literacy level. The panorama in India is also disappointing. Many of the rural areas in India are not financial literate and thus less developed economically. The state of Rajasthan is the largest Indian state with low literacy and education. Due to the importance of the concept of financial literacy the present study was conducted to analyze the factors that have significant impact on literacy level among residents of Jaipur, Rajasthan. During the data

options of gender were taken as male and female in rows.. For columns four categories for education level were considered i.e. under graduate, graduate, post – graduate and professional education. The calculated value for gender i.e. rows is 18.29 whereas the F critical value is 10.13. In case of columns the calculated value of F is 13.19 and the F critical value is 9.28. As the calculated value in both rows and columns is greater than the critical value the null hypothesis is rejected and alternate hypothesis is accepted. It can be affirmed that gender and education both affect the level of financial literacy among individuals.

analysis it was observed that financial literacy in many of the respondents is satisfactory. The gender, occupation and education level directly persuade the financial attitude and behavior. Males were found more financially erudite in comparison to females. The business people were well-versed with the concepts like risk, return, investment, compound interest, inflation etc. as compared to respondents from other occupations. The government is trying hard to improve the financial knowledge among Indians free of cost. The banking system has been strengthened to enhance the habit of savings and investment among the residents. But for expected results these initiatives are lesser than required. The government should fortify the financial behavior and attitude among citizens with more technically advanced measures for better economic development and high financial literacy score of the country.

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