Facets of Financial Literacy with Special Reference to Allahabad Employed Youth

*Shahwar Khan & **Deepika Tiwari

*Assistant Professor, United Institute Of Management
** Assistant Professor, United Institute Of Management

**Abstract:** This paper pronounced the level of financial literacy among the young employees in Allahabad city. This paper is based on primary data which would be collected by interviewing the respondents with the help of related questionnaire. This paper would reveal the level of financial literacy among the employed youth, factors which affect their financial literacy, sources of financial knowledge, hurdles they face and their behavior regarding the achievement of financial goals. Considering the gap in the level of financial literacy the paper would suggest possible solutions to be undertaken to overcome the challenges.

**Introduction**

Financial literacy is a critical problem for various countries nowadays. Financial literacy is

--- “A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well being.”

Presently various financial products are available in the market with their own special features which create complexity for investors to choose the products and so the importance of financial literacy emerges. The government and other institutions are moving ahead for uplifting the level of financial literacy through financial education programs.

Financial literacy is not only about financial information and guidance but also the ability to judge and effectively use financial resources to enhance economic security of an individual, his family, business.

Financial knowledge is the understanding of interest calculations, relationship between inflation and return, inflation and prices, risk and return, and the role of diversification in risk reduction. The financial behaviour assesses how the individual deals with money. It includes prompt payment of bills, framing proper planned budgets and monitoring it, continuous saving habits etc...

Financial attitude influences the behaviour of the individual. Financial attitude is the opinion of the individual about the belief in planning, and their propensity to save and consume. So, the combination of financial knowledge, attitude and behaviour determines the level of financial literacy of an individual.

Financial literacy is very much required at the initial level of one’s career. If due to some hindrances one is not financially proficient then it will negatively affect one’s financial decision making.

Financial literacy encourages the financial inclusion which maintain financial stability in any economy. In India a large section of population is financially illiterate and excluded from the formal financial setup which gives momentum to the importance of financial literacy. Various financial literacy survey has been conducted by the government at country level which reveal the poor level of financial literacy. This research paper concentrates on the financial literacy among young employees of Allahabad to examine how efficient they are to make financial decision.

**Need of the study**

Financial literacy is a global concern. Complicated financial products, low level of awareness and lack of knowledge about financial matters makes the want of financial literacy significant. The level of financial literacy differs from individual to individual. Gender gap also plays an important role in deciding the level of financial literacy. The reforms introduced in financial markets have reduced the scope of governments and employers in supporting the employees to plan their future financial needs. So, the responsibility of managing and deciding their future financial needs has increased among the young employees. High job insecurity, uncertain income and easy access to consumption credit have a great influence on their financial behavior. A country like India with high young demographic dividend and socio-economic diversities should undergo researches in this topic. So, this research focuses on measuring the financial literacy among young employees in Allahabad city.

**Objective of the study**

The objective of this study is to analyses:-
The level of financial knowledge and finance management skills of young employees of Allahabad.

To determine the level of financial literacy and challenges in achieving the financial goals.

Literature review

Financial Literacy in India

Various surveys show that the level of financial literacy of Indians is low. India stands in the 23rd position out of 27 countries in the recent survey conducted by Visa. Our government and other agencies have taken various steps to overcome the gap. The following are some of the initiatives taken:

- Inclusion of Financial literacy in School curriculum
- 658 Financial literacy centres are operating all over India to spread financial literacy.
- SEBI initiated nationwide campaign to spread financial education to various target segments such as students in schools and universities, working executives, home makers, retired personnel, self-help groups, etc.
- Seminars on various aspects like savings, investment, financial planning, banking, insurance, retirement planning, etc.
- More than 3,500 workshops were conducted
- Essentials of Investing’: A set of 11 booklets
- ‘Markets in Motion’: A weekly briefing on major developments in economy and finance.
- Many programs and competitions are conducted among the kids to develop the awareness of financial literacy

Increased variety of products and the instability of the global economy in twenty first century caused increasing complexity of financial decisions and also caused consumers faced with the challenge in economic and financial activities. For this reason, in the last decade, the importance of financial management skills in personal and work life has increased and researches in this area has been done.

The following section gives the general studies made related to financial literacy.

Studies by Marcolin and Abraham (2006); Schuchardt et al., (2008); Remund (2010) and Huston (2010) found that despite the rapid growth of interest in and funding for financial literacy and financial education programs, it remains the case that the field of financial literacy has a major obstacle to overcome: the lack of a widely disseminated measure of financial literacy, developed through rigorous psychometric analyses.

Michael (2009) argues that a lack of financial literacy can hamper the ability of individuals to make well-informed financial decisions. For people who exhibit problems with financial decision making, financial advice has the potential to serve as a substitute for financial knowledge and capability.

Agarwalla Sobhesh Kumar, Barua Samir, Jacob Joshy, Jayanth R. Varma (2012) conducted a study among 3000 individuals, and found that financial knowledge among Indians is very low than the International standards. But the financial behaviour and attitude of the employees and retired seems to be positive. The financial knowledge among the women are marginally high than the men. Greater access to consumption credits has influenced the financial behaviour of young employees.

Financial literacy was examined among wave11 individuals which showed that the financial literacy is low and fewer than one third of the young adult possess the basic knowledge of interest rates, inflation and risk Diversification. Financial literacy was strongly related to socio demographic characteristics and family financial sophistication. Specifically, a college educated male whose parents had stocks and retirement savings was about 45 percentage points more likely to know about risk diversification than a female with less than a high school education whose parents were not wealthy (Lusardi, Mitchell and Curto 2006).

Sages and Grable, (2009) in their study found that the individuals who has the lowest level of financial risk tolerance is the least competent in terms of financial matters, have the lowest subjective evaluation of net worth and are less satisfied with their financial management skills. The level of financial risk tolerance of the individuals determines the financial behaviour.

Ansong and Gyensare (2012) conducted a study among 250 UG and PG University students of Cape Coast reveals that the age and work experience are positively related to Financial literacy. Also, mother’s education is positively correlated with respondents’ financial literacy. But, level of study, work location, father’s education, access to media and the source of education on money has no influence on financial literacy.
Mandell (2008) made a survey among college students in 2008. Mandell calculated average accuracy rate of the questions on financial literacy by their major. From the result, the average of all respondents is 61.9%. Although the accuracy rate of Business or Economics major is 62.4% and is higher than overall average, its rate is lower than Engineering (63.2%), Science (64.0%), and Social Science (64.0%). In addition, Koshal et al. (2008) reported that the difference between Indian MBA students’ grades does not show a statistically significant effect on economic literacy score.

Study by Martin Samy (2007) revealed that determinants of credit card are significantly dependent on a student’s year of study, credit card status and daily routine, which has a strong relevance to respondents’ knowledge of credit cards.

Responsibility of money management lies with parents. Parents are the source of financial information. They are confident about their financial future. Their parents are successful in money management and they take them to be their role models in deciding upon financial matters, Canadian Institute of Chartered Accountants CICA Youth Financial Literacy Study 2011

Factors influencing financial literacy of marginalised women are

- Knowledge: Knowledge about financial products, proper formal education, basic money management skills, Financial numeracy, persuasion knowledge and self efficacy and basic banking activities.

- Financial Behaviour: Budgeting, trusted financial advice, cultural dominance and learned helplessness.


Study by Mwangi (2012) found that financial literacy remains low in Kenya. The results indicate that households’ access to financial services is not based on levels of financial literacy but rather on factors such as income levels, distance from banks, age, marital status, gender, household size and level of education. However, the study established that the probability of a financially illiterate person remaining financial excluded. The study recommends the development of a curriculum on financial education and administers it in local, middle level and higher learning institutions.

Study by Marzieh et al., (2013) revealed that the age and education are positively correlated with financial literacy and financial wellbeing. Married people and men are more financially literate. Higher financial literacy leads to greater financial well-being and less financial concerns. Finally, financial wellbeing leads to less financial concern.

Questions and Data Interpretation

Q.1 - What is current interest rate on saving bank account?

<table>
<thead>
<tr>
<th></th>
<th>a) 6%</th>
<th>b) 4%</th>
<th>c) 3%</th>
<th>d) 7.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right</td>
<td>50%</td>
<td>Wrong</td>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>

Table.1

![Table.1](image)
Data Interpretation - Above pie chart shows the knowledge of Allahabad employed youth regarding interest rate on the basis of analysis, it was found out that out of 100 respondents 50% are aware about interest rate and 50% had wrong idea about it.

2- Is SIP a method of investing a fixed sum, regularly, in a mutual fund scheme. SIP allows one to buy units on a given date each month, so that one can implement a saving plan for themselves?

<table>
<thead>
<tr>
<th>Right</th>
<th>Wrong</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>38%</td>
<td>12%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Table.2

<table>
<thead>
<tr>
<th>Right</th>
<th>Wrong</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>82%</td>
<td>5%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Table.3

Data Interpretation - On the basis of table 2 it was observed that out of 100 respondents (Allahabad employed youth) 38% know about SIP correctly but major portion (50%) have no idea about SIP.

3- How inflation affect price?

<table>
<thead>
<tr>
<th>right</th>
<th>wrong</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>82%</td>
<td>5%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Data Interpretation - On the basis of table 3 we can conclude that out of 100 respondents maximum 82% respondents knew the effect of inflation on prices in the economy however minimum 5% respondents don’t know how inflation affect prices in the economy.

4- How risk is associated with return?

<table>
<thead>
<tr>
<th>right</th>
<th>wrong</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>77%</td>
<td>1%</td>
<td>22%</td>
</tr>
</tbody>
</table>
On the basis of table 4 we can say that out of 100 respondents maximum 77% believes that risk is associated with return however minimum 1% don’t believe it.

5-What is diversification?

<table>
<thead>
<tr>
<th></th>
<th>Right</th>
<th>Wrong</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>48%</td>
<td></td>
<td>3%</td>
<td>54%</td>
</tr>
</tbody>
</table>

On the basis of table 5 we can say that out of 100 respondents 48% answered rightly about diversification however 3% answered about diversification wrongly.

6-Relationship between diversification and risk reduction

<table>
<thead>
<tr>
<th></th>
<th>Right</th>
<th>Wrong</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>48%</td>
<td></td>
<td>4%</td>
<td>48%</td>
</tr>
</tbody>
</table>
On the basis of table 6 we can say that out of 100 respondents maximum 48% believes that there is a positive relation exists between diversification and risk reduction however 4% believes there is no relation between diversification and risk.

7-Do you access affordability before purchasing?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>85</td>
<td>8</td>
<td>7</td>
</tr>
</tbody>
</table>

On the basis of table 7 we can say that out of 100 respondents maximum 85% are those employees who access affordability before purchasing although 8% don’t access affordability before purchasing.

8-Which methods do you adopt to settle your bills? (you may tick more than one option)

<table>
<thead>
<tr>
<th>Method</th>
<th>15%</th>
<th>27%</th>
<th>12%</th>
<th>35%</th>
<th>68%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit card</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank transfer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile payment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheques</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

On the basis of table 8 we can say that out of 100 respondents maximum68% used cash for the payments of their bills however 35% adopt cheque for the payment. Minimum 12% use mobile for payment.

9-How do you plan your budget?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Very sincerely</th>
<th>Casually</th>
<th>Rarely</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>33%</td>
<td>43%</td>
<td>24%</td>
</tr>
</tbody>
</table>
On the basis of table 9 we can say that out of 100 respondents maximum 43% plan their budget casually however minimum 24% rarely plan their budget.

10-How often do you monitor your personal finances?

<table>
<thead>
<tr>
<th>Time to time</th>
<th>After a long time</th>
<th>Rarely</th>
</tr>
</thead>
<tbody>
<tr>
<td>53%</td>
<td>20%</td>
<td>27%</td>
</tr>
</tbody>
</table>

On the basis of table 10 we can say that out of 100 respondents maximum 53% monitor their personal finance however minimum 28% monitor personal finance after a long time.

11-When do you adopt saving?

<table>
<thead>
<tr>
<th>As extra income received</th>
<th>A specific amount at the end of the specific period</th>
<th>Rarely</th>
</tr>
</thead>
<tbody>
<tr>
<td>52%</td>
<td>33%</td>
<td>15%</td>
</tr>
</tbody>
</table>
On the basis of table 11 we can say that out of 100 respondents maximum 52% adopt saving as extra income received however 15% rarely adopt savings.

12-How you consider the importance of savings?

<table>
<thead>
<tr>
<th></th>
<th>Very important</th>
<th>Important</th>
<th>Not so important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very imp</td>
<td>97%</td>
<td>3%</td>
<td>0%</td>
</tr>
</tbody>
</table>

On the basis of table 12 we can say that out of 100 respondents maximum 97% consider savings very important however 3% consider it important.

Conclusions

Financial knowledge-On the basis of above analysis(table 1 to 6)it is to be found out that Maor(56% out of 100 respondents) are Allahabad employed youth have proper financial knowledge(about Interest rate,SIP,Inflation)

Financial literacy-On the basis of whole survey it is to be found out that in most of the employed Allahabad youth the level of financial literacy is quite satisfactory.

Financial behaviour-On the basis of above survey we can conclude that although the youth know the importance of saving and consider it very important but their behavior do not reflect in practical life as majority(43%)plan the budget casually and save only when they receive any extra income.

Initiatives taken by RBI

RBI'S FINANCIAL LITERACY PROJECT - LAUNCHED IN 2007; ANCHORED ON THREE THEMES
1. The Reserve Bank
   –Role and function; how is it relevant to the common person
   –Evolution of money, how to take care of your currency
2. Banks and Banking
- Why save in a bank and not under your pillow!
  - Different types of deposit accounts, other banking products
- Take a loan from a bank – why go to a money lender
  - Customers’ rights, Grievance redressal, Banking Ombudsman Scheme

3. Finance
- How to take care of your money and plan for your future
  - Learning about coins and notes

TARGET AUDIENCE
- Rural folk
- Urban poor
- Children/ students
- Women
- Senior citizens
- Defense personnel

RBI’S INITIATIVES
- Multilingual RBI website for the Common Person
  - In 13 languages; Financial Education page on RBI’s website
- Multi-lingual reading material
  - Comics books (Raju and Money Kumar series), educational games
  - Comic books are becoming popular among children and even among grownups
- Awareness programmes
  - Films, skits, road shows
  - Participation in exhibitions - stalls on financial education
  - Financial Education camps in remote places - Outreach visits
- Essay/Quiz competitions; Visits to RBI by school children
- Financial Counseling & Literacy Centers
- Talks on Radio/Television

Other Initiatives
- Introduction of Financial Education in Schools and Colleges
- Banking Ombudsman Scheme
- Young Scholars’ Scheme
- Banking Codes and Standards Board of India

References-
6. Australian Government’s report on Financial Literacy among Marginalised Women
7. IIM A report on A Survey of financial literacy among Students, Young employees.
8. RBI site