

# Financial Literacy and its Determinants

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**Abstract:** *Monetary proficiency is the capacity to make informed decisions and to take successful choices with respect to the utilization and the executives of cash. Monetary proficiency empowers people to further develop their general prosperity. Research has shown that degrees of monetary proficiency overall are inadmissibly low. Individuals find it hard to take choices with respect to individual budget issues unhesitatingly and frequently commit errors. In India additionally the degrees of monetary proficiency are extremely low. An endeavour has been made through this paper to decide monetary education level of salaried people in view of different segment and financial elements. Discoveries of the review propose that generally monetary education level of respondents isn't extremely high. Monetary proficiency level gets impacted by orientation, training, pay, nature of business and work environment while it doesn't get impacted by age and geographic area. Discoveries of this study will help strategy creators and controllers to devise fitting methodologies to build the degree of monetary education among the populace*

**Keywords:** Financial Literacy, Monetary Training, Salaried people

## I. INTRODUCTION

The Organization for Economic Co-operation and Development (OECD) has characterized monetary proficiency as "a mix of mindfulness, information, expertise, mentality and conduct important to go with sound monetary choices and at last accomplish individual prosperity". Monetary proficiency assists people with working on their degree of comprehension of monetary issues which empowers them to handle monetary data and settle on informed conclusions about individual accounting. Monetary education is straightforwardly connected with the prosperity of people. Past exploration recommends that those with low degrees of monetary proficiency, deals with issues with issues connecting with individual accounting, for example, reserve funds, borrowings, ventures, retirement arranging and so on.

Over the new year's, monetary scene has changed extensively in our country. Monetary scene has become perplexing throughout the course of recent years with the presentation of numerous new monetary items. To comprehend hazard and return related with these items, a base degree of monetary proficiency is an unquestionable necessity. Monetarily educated people can take full advantage of monetary items and administrations; won't get cheated by individuals selling monetary items not appropriate for them. Monetary education helps with working on the nature of monetary administrations and add to financial development and improvement of a country.

Monetary proficiency is significant in light of multiple factors. Monetarily proficient shoppers can cruise through intense monetary times in view of the way that they could have gathered reserve funds, bought protection and broadened their speculations. Monetary education is additionally straightforwardly related with positive monetary conduct, for example, opportune instalment of bills and advance portions, saving prior to spending and utilizing charge card prudently.

Research has shown that degrees of monetary proficiency overall are unsuitably low. Non-industrial nations have substantially less monetarily proficient populace when contrasted with created nations. Individuals find it hard to take choices with respect to individual accounting issues certainly and frequently commit errors. In India additionally the degrees of monetary proficiency are exceptionally low. The state run administrations and different associations like Financial Co-activity and Advancement (OECD), the U.K. Branch of Global Turn of events (DFID), and the World Bank are advancing monetary proficiency in emerging nations by bestowing monetary training. Monetary schooling engages people to take their monetary choices in a superior manner. Monetary training programs cover themes like investment funds, borrowings, planning and utilizing monetary administrations.

A major improvement in monetary information on people is important. This is conceivable with proper monetary training programs designated at right individuals at perfect opportunity. For monetary schooling to be successful we should know the degree of monetary information, mentalities and conduct. Present review will make an endeavour to survey monetary proficiency and its determinants, which will help strategy creators and controllers to devise proper methodologies to expand the degree of monetary education among populace.

## II. LITERATURE REVIEW

Danes and Hira (1987) overviewed 323 understudies from Iowa State College utilizing a survey of 51 things to gauge their insight into charge cards, protection, individual credits, record keeping, and by and large monetary administration. Their discoveries show that guys know more than females in many regions, wedded understudies know more than unmarried understudies, and privileged man know more than lower class man. Their general finding was that understudies have low monetary information. Volpe, Chen, and Pavlicko (1996) overviewed 454 undergrad business understudies from just a single college utilizing an instrument of 23 things that zeroed in principally on speculation information. Discoveries show a low typical education score of 44%, with the people who studied business being more proficient on speculations than the people who didn't study business. Markovich and DeVaney (1997) overviewed 236 haphazardly chosen undergrad seniors from Purdue College to quantify monetary information and conduct utilizing an instrument with 34 things. In spite of the fact that their review included monetary way of behaving, they just estimated the level of understudies' information and conduct, with no action to decide if information affected or associated with conduct.

Hogarth (2002) investigated the monetary proficiency of grown-ups in the U.S utilizing 28 valid/bogus sort inquiries on points connected with individual accounting. That's what the review showed, by and large, less monetarily educated respondents were bound to be single, moderately uninformed, generally low pay, minority, and either youthful or old (not moderately aged). Beal and Delpachitra (2002) estimated monetary education of Australian understudies and observed that college understudies were neither talented nor learned in monetary issues. It was found that understudies with higher monetary proficiency scores were bound to be male, have more noteworthy work insight and have a higher pay. Volpe et al. (2002) inspected venture proficiency of 530 internet based financial backers. They found that degree of input proficiency fluctuated with individuals' schooling, experience, age, pay and orientation. Ladies had a lot of lower speculation education than men and more established members performed better compared to youthful members. Worthington (2006) utilized logit relapse models to anticipate monetary proficiency of Australian grown-ups. Aftereffects of the review proposes that monetary education is viewed as most elevated for people matured somewhere in the range of 50 and 60 years, experts, business and homestead proprietors. Monetary education is least for jobless, females and those from non-English talking foundation. Al-Tamimi and Kalli (2009) surveyed the monetary education of the UAE financial backers. The outcomes show that the monetary education of UAE financial backers is not even close to the required level. The monetary proficiency is viewed as affected by pay level, training level and working environment action.

Cole et al. (2008) estimated the level and indicators of monetary education, and its relationship to interest for monetary administrations in India and Indonesia. They tracked areas of strength for down between monetary education and monetary way of behaving. Review information from Indonesia and India exhibits that monetary proficiency is a significant associate of family monetary way of behaving and family prosperity. Agarwal et al. (2010) assessed monetary proficiency of online Indian financial backers of Hyderabad city. The discoveries recommend that members are for the most part monetarily proficient. Varieties in monetary education level were seen across segment and financial gatherings.

Almenberg and Soderbergh (2011) analysed the connection between monetary education and retirement arranging of Swedish grown-ups. They tracked down tremendous contrasts in monetary proficiency among organizers and non-organizers. Monetary proficiency levels were tracked down lower among more seasoned individuals, ladies and those with low training or profit. Klapper and Panos (2011) explored the effect of monetary education on the retirement saving in Russia. They observed that higher proficiency is emphatically connected with retirement arranging and exploring in confidential annuity reserves.

On exploring the current writing on monetary education, various remarkable focuses arise. A large portion of the work is finished in US, Australia, UK and other created countries. Not very many exploration studies have been done in non-industrial nations like India. Target populace in the vast majority of the examinations is understudies as opposed to grown-up populace. Not many examinations involved every one of the areas of individual accounting to quantify the degree of monetary education. My review targets overcoming this issue.

### III. OBJECTIVES

- Coming up next are the targets of this current review
- To decide the degree of monetary proficiency among salaried people.
- To figure out the connection between monetary education and different segment and financial elements.

### IV. HYPOTHESES

With the end goal of this study following hypotheses have been proposed:

#### **Hypothesis 1:**

H0: There is no relationship among orientation and monetary proficiency level of salaried people

H1: There is a relationship among orientation and monetary proficiency level of salaried people.

#### **Hypothesis 2:**

H0: There is no relationship among age and monetary proficiency level of salaried people

H1: There is a relationship among age and monetary proficiency level of salaried people.

#### **Hypothesis 3:**

H0: There is no relationship among instruction and monetary proficiency level of salaried people

H1: There is a relationship among instruction and monetary proficiency level of salaried people.

#### **Hypothesis 4:**

H0: There is no relationship among pay and monetary proficiency level of salaried people

H1: There is a relationship among pay and monetary proficiency level of salaried people.

#### **Hypothesis 5:**

H0: There is no relationship between nature of business and monetary proficiency level of salaried people

H1: There is a relationship between nature of business and monetary proficiency level of salaried people.

#### **Hypothesis 6:**

H0: There is no relationship between work environment and monetary business level of salaried people

H1: There is a relationship between work environment and monetary proficiency level of salaried people.

#### **Hypothesis 7:**

H0: There is no relationship between geographic district and monetary proficiency level of salaried people

H1: There is a relationship between geographic district and monetary proficiency level of salaried people.

### V. METHODOLOGY

With the end goal of the review an overview was directed among salaried people of Himachal Pradesh. Multistage testing has been utilized to get delegate test of the populace. Out of all out twelve areas of Himachal Pradesh, three locales to be specific Shimla, Solan and Kangra were chosen arbitrarily (first stage). The chose regions were isolated into sub-divisions and two sub-divisions per area were chosen arbitrarily (second stage). From each chose sub-division, respondents were chosen helpfully utilizing a few normal measures like work environment (metropolitan or provincial), word related status (government or non-government representative) to get delegate test of the populace. Essential information from the respondents was gathered by utilizing an organized poll. A sum of 516 respondents comprises an example for this review.

To check the monetary education level, thirteen inquiries about individual accounting were posed from the respondents. The inquiries were posed to gauge respondent's information in the space of monetary numeracy, reserve funds and speculations, borrowings, protection, hazard and return. Complete score for every respondent is determined by offering one imprint for each right response and for wrong response no regrettable checking was furnished. The complete for every respondent was additionally changed over into their rate score. The speculation of this review has been tried with

the assistance of ANOVA. The speculation has been tried at 5% importance level. The aftereffects of ANOVA are shown in Table 2. Table 2 shows the Mean score, F worth and importance level of monetary proficiency level in view of different segment and financial elements.

**VI. RESULTS AND DISCUSSION**

Table 1 gives the rundown of the segment and financial attributes of the respondents. A gender at segment and financial detail shows that level of male respondents is 68.8% and female respondents is 31.2%. 29.7% of the respondents fall in the age gathering of 31-40 years and 30.6% fall in the age gathering of 41-50 years. Greater part of the respondents for example 45.95% in our example are graduates trailed by 42.6% having post advanced education. The respondents likewise comprise government (46.7%) and non-government (53.3%) representatives. 61% of the respondents have a yearly pay between Rs. 2-5 lacs followed by 34.3% respondents who acquire between Rs. 5-10 lacs yearly. The extent of respondents from Shimla, Solan and Kangra regions is 36.2%, 34.5% and 29.3% individually.

**Association between gender and financial literacy level**

Table 2 shows the mean score of monetary proficiency level of guys and females. The outcomes demonstrate that monetary proficiency of guys is more than females. The mean score of guys was viewed as 61.41% and that of females was viewed as 51.46%. From Table 2 it very well may be seen that F esteem is critical at 5% importance level, consequently Ho of speculation 1 - there is no relationship among orientation and monetary proficiency level is dismissed. Hence it tends to be presumed that there is a tremendous contrast among male and female respondents as far as monetary education level.

**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
	More than 60	14	2.7
	10+2	39	7.6
EDUCATION	Graduation	237	45.9
	Post Graduation	220	42.6
	PhD	20	3.9
INCOME PER ANNUM (In Rs.)	2-5 lacs	315	61.0
	5-10 lacs	177	34.3
	10-15 lacs	24	4.7
NATURE OF EMPLOYMENT	Government	241	46.7
	Non-Government	275	53.3
PLACE OF WORK	Urban	280	54.3
	Rural	236	45.7
GEOGRAPHIC REGION	Shimla	187	36.2
	Solan	178	34.5
	Kangra	151	29.3

Source: Primary Data

**Association between age and financial literacy level**

Table 2 shows the mean score of monetary proficiency level for various age gatherings. It very well may be seen from the table that as age advances monetary education level likewise increments. Most extreme monetary proficiency level of 65.38% is shown by respondents falling in age gathering of over 60 years followed by 59.66% for age gathering of 51-60 years. To see measurable distinction in mean scores in light old enough, theory 2 is tried utilizing ANOVA and F esteem is determined. From the table, it very well may be seen that F esteem isn't critical at 5% importance level, thus H0 of speculation 2-There is no relationship among age and monetary proficiency level isn't dismissed. Along these lines it tends to be reasoned that monetary education level doesn't rely upon age.

**Table 2. Mean and F values of Financial Literacy Level**

		Mean	F Value	Significance
GENDER	Male	61.46	55.708	.000
	Female	51.46		
AGE (Years)	20-30	56.59	1.350	.250
	31-40	58.22		
	41-50	58.08		
	51-60	59.66		
	More than 60	65.38		
	10+2	49.90		
EDUCATION	Graduation	56.09	12.107	.000
	Post Graduation	61.43		
	PhD	66.54		
INCOME PER ANNUM (In Rs.)	2-5 lacs	54.63	31.946	.000
	5-10 lacs	63.06		
	10-15 lacs	71.47		
NATURE OF EMPLOYMENT	Government	56.24	8.977	.003
	Non-Government	60.11		
PLACE OF WORK	Urban	60.60	15.293	0.000
	Rural	55.57		
GEOGRAPHIC REGION	Shimla	58.04	0.808	0.446
	Solan	59.38		
	Kangra	57.36		

Source: Primary Data

#### Association between education and financial literacy level

Table 2 shows that monetary proficiency level is connected with the degree of schooling. More the instruction level more is the degree of monetary education. Table 2 shows that monetary education level is most elevated for respondents who have PhD degree (66.54%) trailed by those respondents who have post advanced education (61.43%). From the table it tends to be seen that F esteem is critical at 5% importance level. Subsequently H<sub>0</sub> of speculation 3- There is no relationship between schooling level and monetary proficiency level is dismissed. In this manner it very well may be reasoned that monetary proficiency level relies upon the training level.

#### Association between Income and financial literacy level

The after effects of the Table 2 shows that more the pay, more will the degree of monetary education. Table 2 shows that monetary proficiency level is most elevated for respondents having pay level between Rs 10-15 lacs (71.47%) per annum followed by the people who acquire between Rs. 5-10 lacs (63.06%) per annum. From the table it tends to be seen that F esteem is critical at 5% importance level. Thus, H<sub>0</sub> of theory 4 - There is no relationship among pay and monetary proficiency level is dismissed. In this manner it tends to be presumed that monetary education level relies upon the pay of an individual.

#### Association between nature of employment and financial literacy level

Based on nature of work we have separated the respondents into two classifications for example government and non-government workers. Table 2 shows that non-government representatives have higher monetary proficiency level when contrasted with government workers. From the table it tends to be seen that F esteem is huge at 5% importance level. Consequently, H<sub>0</sub> of theory 5-There is no relationship between nature of business and monetary proficiency level is dismissed. In this manner it tends to be reasoned that nature of business impacts monetary proficiency level.

#### Association between place of work and financial literacy level

As indicated by work environment, representatives have been arranged into two sections to be specific metropolitan and rustic relying on whether the work environment of the representative is metropolitan region or provincial region. From the outcomes plainly representatives working in metropolitan regions are more monetary proficient when contrasted with those functioning in rustic regions. The mean score of representatives working in metropolitan region is 60.60% when contrasted with mean score of representatives working in rustic region (55.57%). From the table it very well may be seen that F esteem is critical at 5% importance level, thus H<sub>0</sub> of speculation 6-There is no relationship between work environment and monetary education level is dismissed. Consequently it tends to be presumed that monetary proficiency level relies upon where representative works.

**Association between geographic region and financial literacy level**

From Table 2, it tends to be seen that monetary proficiency level of respondents is practically same for every one of the three areas. Additionally, from the table it very well may be seen that F esteem isn't huge at 5% importance level, subsequently H<sub>0</sub> of speculation 7-There is no relationship between geographic area and monetary education level isn't dismissed. Along these lines it tends to be presumed that monetary education level doesn't rely upon geographic locale.

**VII. FINDINGS**

By and large monetary proficiency level of 58.30% among salaried people isn't extremely reassuring. Monetary education level of guys is higher than that of females. The thing that matters is additionally genuinely huge. Monetary education is most noteworthy for the people who are over 60 years old followed by the individuals who fall in the age gathering of 51-60 years. Level of monetary education is most reduced for youthful respondents for example who are in the age gathering of 20-30 years. The consequences of ANOVA show that distinction in respondent's monetary proficiency level in light old enough isn't genuinely critical. Level of monetary proficiency is decidedly connected with schooling and pay level for example our outcomes show that monetary proficiency level increments with expansion in training and pay level. The outcomes are genuinely huge. Representatives working in metropolitan regions are all the more monetarily proficient when contrasted with those functioning provincial regions. The representatives working in non-government occupations are all the more monetarily educated when contrasted with those in government occupations and the thing that matters is measurably critical. Geographic locale doesn't influence the degree of monetary proficiency altogether.

**VIII. CONCLUSION**

From the above investigation it very well may be inferred that generally speaking monetary education level of 58.30% among all respondents isn't empowering. This shows that in our nation individuals are as yet not much mindful about their money related issues. The outcomes propose that degree of monetary proficiency differs essentially among respondents in view of different segment and financial variables. It tends to be reasoned that monetary proficiency level gets impacted by orientation, schooling, pay, nature of business and work environment though it doesn't get impacted by age and geographic locale.

By and large it very well may be reasoned that monetary education level is low in our nation and vital measures ought to be taken by government to increment mindfulness about monetary related matters.

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