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Research Directions

A STUDY ON FINANCIAL LITERACY AND DEMOGRAPHIC FACTORS OF SELECTED RESPONDENTS FROM GANDHINAGAR DISTRICT

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ABSTRACT
In recent scenario, every country is running behind improvement in literacy level of people but we hardly give any importance to financial literacy level of our people. Education is not the only factor which affects financial literacy level of people, there are other demographic and socio economic factors as well like area of residence, age, gender, marital status, family size, no of earning members, education, occupation, family income, saving, attitude towards financial and investment decisions etc. which may have effect on financial literacy level. Here, it is an attempt to identify financial literacy level of people from Gandhinagar district and its association with different demographic factors. The study is based upon primary data collected through well-structured questionnaire administered to 1000 residents of Gandhinagar district through pre decided quota on the basis of their occupational categories. With the use of Descriptive analysis, charts and chi square test, it is found that financial literacy of people is moderate whereas location, taluaks, age, earning persons in the family, education and income are the major demographic factors which have effect on financial literacy level of people from Gandhinagar district.

KEYWORDS: Financial Literacy, Financial Knowledge, Financial Behaviour

INTRODUCTION

Growth and development of any country can be measured from financial system of any country which again can be identified by role of savers and investors. Because of LPG, advancement in technology, improved financial services, easy accessibility of services, improved competition and diversified financial product, financial awareness has become essential part of everyones' life. Continuous flow of funds is one of the forcing factor of improved economy. Combination of Improved saving, proper guidance about financial products and financial knowledge can make remarkable growth in individual life, hence can lead development of all leading sectors in economy. India being developing country has larger scope of improvement in this direction. Significant contribution of Gujarat has shown a model of economic progress and development with wide platform for expansion in every field. Gandhinagar is capital of Gujarat and with majority of government departments working here, financial literacy of people from Gandhinagar district can make a remarkable impact in growth of all sectors in Gandhinagar District.

Financial literacy can help people to take any financial investment decision in day to day life wisely with proper analysis of different financial terms and taking precautions while analysing any risk and return related with different financial products. Life of a person is uncertain in many ways, one should be extra conscious when it comes to their future Income, saving pattern and investment decisions to make their life smooth with growth and development.

There is widely acceptable definition of financial literacy which was given by International Network of Financial Education in Organisation for Economic Cooperation and Development (OECD) taken into consideration for global comparison.

At global level,

OECD INFE has defined financial literacy as follows: "A combination of awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

In India,

National centre for financial education (NCFE) is working to promote financial education across India by conducting seminars and workshops for all sections of population as per the national strategy for financial education, which was promoted by Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA)

LITERATURE REVIEW

Literature review has been done on the basis of past researches done by different international and national authors.

- **Annamari Lusardi (2008)** studied on financial literacy among US population who have age more than 50 years and their demographic factors by measuring basic advance financial literacy and found that low education, women, African-American and Hispanics have low financial literacy by suggesting financial education programs to improve financial literacy.
- **N. Geetha, M.Ramesh (2012)** studied on relevance of demographic factors in investment decisions by collecting primary data through structured questionnaire from 475 respondents from Nagapattinam district of Tamilnadu using ANOVA and Chi Square test. It was concluded that gender, education, occupation, annual income and annual savings have significant relationship with investment decision whereas age and family size don't have significant relations.
- **Dr. Dhiraj Jain, Mr. Nikhil Mandot (2012)** explored demographic factors of investors confined to Rajasthan state and by using Chi square and correlation analysis. They found that individual preference is affected by level of market knowledge and risk taking ability whereas demographic factors like cities, income level and knowledge have positive influence and marital status, gender, age, educational qualification and occupation of investors' are negatively correlated with investment decision.
- **Puneet Bhushan, Yajulu Medury (2013)** determined financial literacy level of salaried individuals based on various demographic and socio-economic factors. A total of 516 respondent's knowledge in the areas of financial numeracy, savings and investments, borrowings, insurance, risk and return has been measured through ANOVA test.

Conclusion of the study has derived that overall financial literacy level of respondents is not very high. Financial literacy level gets affected by gender, education, income, nature of employment and place of work whereas it does not get affected by age and geographic region.

- **Sobhesh Kumar Agarwalla,Samir K. Barua, Joshy Jacob,Jayanth R. Varma (2013)** investigated on the influence of various socio-demographic factors on different dimensions of financial literacy among 754 working young in urban India. They concluded that level of financial literacy among the working young urban Indian is almost the same as the other group of countries which has further scope of improvement. Gender, Education, income, Joint family and consultative decision making process are found as influencing factors for financial literacy
- **Muhammad Nauman Sadiq, Hafiz Muhammad Ishaq (2014)** explored the effect of demographic factors on behavior of 100 investors by collecting responses through structured questionnaire with the use of Correlation and Chi Square test. The study found out that education, income level, investment knowledge, investment experience have effect on investment behavior whereas gender, marital status, occupation and family size have no effect no investors level of risk tolerance.
- **Tariq Saeed Mian (2014)** studied on impact of different demographic variables on the level of financial literacy among Saudi Investors through structured questionnaire by using chi square test which concluded that gender and age have significant impact on financial literacy. There is no effect of education and current work on financial literacy whereas more financial literate persons will not need financial advice.

OBJECTIVES

Here, Research has been carried out by focusing on following objectives.

- To study previous researches on financial literacy.
- To know demographic profile of respondents from Gandhinagar district.
- To know Financial literacy level of respondents from Gandhinagar district.
- To find out association of financial literacy with demographic factors.
- To analyses prevailing literacy and financial literacy rate.

RESEARCH METHODOLOGY

Primary data collection method has been used on the basis of pre decided Quota of different occupational categories from rural and urban area, in which responses have been gathered from well-structured questionnaires administered to 1000 people from Gandhinagar district and out of which 675 questionnaires were complete and taken further for analysis. On the basis of known answers of 35 different financial terms, financial literacy score has been calculated which was further classified into high, moderate and low financial literacy level.

Whereas,

Less than 30 Financial Literacy Score= Low Financial Literacy

30-60 Financial Literacy Score= Moderate Financial Literacy

More than 60 Financial Literacy Score= High Financial Literacy

Association of financial literacy with different demographic factors like area of residence, age, gender, marital status, family size, no of earning members, education, occupation and family income has been found out using chi square test.

DATA ANALYSIS:

***Demographic Profile of Respondents**

Table 1- Demographic Profile of Respondents

Variables		**Frequency**	**Percentages**
District	Gandhinagar	271	40.1
	Kalol	172	25.5
	Dahegam	130	19.3
	Mansa	102	15.1
	Total	675	100
Gender	Male	490	72.6
	Female	185	27.4
	Total	675	100
Age	18-30	256	37.9
	31-40	143	21.2
	41-50	195	28.9
	51-60	58	8.6
	More than 60	23	3.4
	Total	675	100
Marital Status	Married	472	69.9
	Unmarried	182	27
	Divorced	6	0.9
	Widow	15	2.2
	Total	675	100
Family size	Two	26	3.9
	Two to Four	307	45.5
	More than Four	342	50.7
	Total	675	100
Earning Persons in the family	One	271	40.1

	Two	241	35.7
	Two to Four	141	20.9
	More than Four	22	3.3
	Total	675	100
Education Level	Upto Primary	48	7.1
	Higher secondary	124	18.4
	Diploma	39	5.8
	Graduate	218	32.3
	Masters	131	19.4
	Professionals	67	9.9
	Doctorate	30	4.4
	Others	18	2.7
	Total	675	100
Occupation	Agriculture	154	22.8
	Government sector	148	21.9
	Semi-Government Sector	70	10.4
	Private Sector	101	15
	Business	68	10.1
	Professionals	67	9.9
	Others	67	9.93
	Total	675	100
Family Income	Less than 1 lakh	145	21.5
	1 lakhs- 5 lakhs	308	45.6
	5 lakhs-10 lakhs	136	20.1
	10 lakhs-15 lakhs	41	6.1
	More than 15 lakhs	45	6.7
	Total	675	100

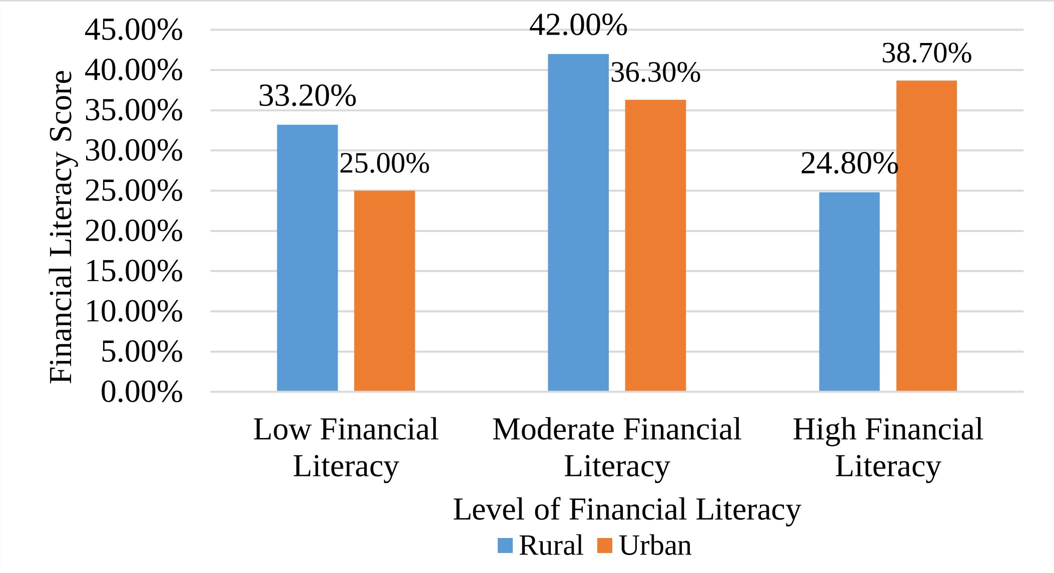
Gandhinagar District consists of 4 Talukas namely Gandhinagar, Kalol, Dahegam and Mansa. On the basis of population from census data 2011, Data was collected in the proportion of 40.1%, 25.5%,19.3% and 15.15 respectively and out of 675 respondants, majority (490) are male. It can be seen from the above table that 37.9% of them are from 18-30 age group, followed by 41-50 age with 195 respondents whereas 472 out of 675 are married and thus have more than four members in the family. 40.1% respondents said that they are the only bread earner of family. Majority of them (218) have bechalor degree with different occupational category , out of which 154 respondents are working in agriculture field which is heighest among all occupational categories followed by 148 from government sector,101 from private sector, 70 from semi Government, 68 from Business class, 67 professionals and 67 from any other sources or having more than 1 occupations and 45.6% respondents have family income from 1 Lack to 5 Lacks.

***Financial Literacy Level of Selected Respondents from Gandhinagar District.**

Table 2: Financial Literacy among Rural and Urban Respondents of Gandhinagar District

Level of Financial Literacy		**Location**		**Total**
		Rural	Urban	
Low Literacy	Frequency	127	73	200
	Percentages	33.20%	25.00%	29.60%
Moderate Literacy	Frequency	161	106	267
	Percentages	42.00%	36.30%	39.60%
High Literacy	Frequency	95	113	208
	Percentages	24.80%	38.70%	30.80%
Total	Frequency	383	292	675
	Percentages	100.00%	100.00%	100.00%

Chart 1: Financial Literacy Level among Rural and Urban respondents of Gandhinagar District



Overall Financial Literacy score of respondents from Gandhinagar district is 39.60%, where as it can be seen that majority of respondents from urban areas of Gandhinagar have high financial literacy i.e. 38.70% and majority of respondents from rural areas of Gandhinagar have moderate financial literacy i.e. 42%. From the result of independent sample t test, it can be found that there is a significant difference in the financial literacy level among rural and urban respondents because p value is less than 0.05.

***Association between Financial Literacy and Different Demographic Factors**

For the purpose of checking that whether there is any relationship between financial literacy and demographic factors is there or not, Chi Square test can be applied here because one variable (Financial Literacy Score) is nominal in scale and other variable (Demographic factors) is category wise. Hence, to test the association between financial literacy and demographic parameter of respondents, Chi Square Test has been applied by following the hypothesis testing.

Where,

H_0=There is no significance association between Level of Financial Literacy and Demographic parameter.

H_1=There is significance association between Level of Financial Literacy and Demographic parameter.

Table 3- Result of Chi-Sqaure Test

Sr. No	**Hypothesis**	**Calculated value of Chi-Square**	**d.f.**	**p-value**	**Acceptance/ Rejection of Null Hypothesis**

1	H_0: There is no significance association between Level of Financial Literacy and Location. H_1: There is significance association between Level of Financial Literacy and Location.	15.480	2	0.000	Rejected
2.	H_0: There is no significance association between Level of Financial Literacy and talukas. H_1: There is significance association between Level of Financial Literacy and talukas.	23.685	6	0.001	Rejected
3	H_0: There is no significance association between Level of Financial Literacy and Gender. H_1: There is significance association between Level of Financial Literacy and Gender.	5.219	2	0.074	Accepted
4.	H_0: There is no significance association between Level of Financial Literacy and Age. H_1: There is significance association between Level of Financial Literacy and Age.	16.646	8	0.034	Rejected
5.	H_0: There is no significance association between Level of Financial Literacy and Marital Status. H_1: There is significance association between Level of Financial Literacy and Marital Status.	4.879	6	0.559	Accepted
6.	H_0: There is no significance association between Level of Financial Literacy and family size. H_1: There is significance association between Level of	5.477	4	0.242	Accepted

	Financial Literacy and family size.				
7.	H_0: There is no significance association between Level of Financial Literacy and earning persons in the family H_1: There is significance association between Level of Financial Literacy and earning persons in the family.	26.222	6	0.000	Rejected
8.	H_0: There is no significance association between Level of Financial Literacy and education. H_1: There is significance association between Level of Financial Literacy and education.	102.189	14	0.000	Rejected
9.	H_0: There is no significance association between Level of Financial Literacy and occupation H_1: There is significance association between Level of Financial Literacy and occupation.	18.834	12	0.093	Accepted
10	H_0: There is no significance association between Level of Financial Literacy and annual income of family. H_1: There is significance association between Level of Financial Literacy and annual income of family.	98.146	8	0.000	Rejected

Association of financial literacy with different Personal and demographic profile of respondents like location of residence, talukas, gender, age, marital status, family size, earning members in the family, education level, occupation and family income has been analysed by using chi square test and it was found that Gender, Marital status, Family size and Occupation do not have significant association with financial literacy Whereas Location, Talukas, Age, No.

of Earning Members, Education and Family Annual income are significantly associated with financial literacy.

FINDINGS AND CONCLUSION

On the basis of financial literacy score, it can be said that respondents have average knowledge of different financial and investment related terms which may results into risky financial decisions. Result of analysis is focusing more on married male respondents who are from 18-30 age group, with education till bachelor degree only. One earning member with at least 4 family members and 1 to 5 lakhs Rs. Annual salary can be the reason of financial burden too. Majority of respondents were into agriculture field or working with Government sectors indicate equal existence of skilled and unskilled employees. Area of residence, age, no of earning members, education and family income of respondents are related with financial literacy level of respondents which are also responsible for their literacy level as well. Enough steps should be taken by giving proper financial education from school education itself to mould those baby minds into analytical young minds, which can create miracles when it comes to taking financial decisions for the betterment of their family or nation.

National literacy rate and financial literacy rate of India is 74.14% and 20% respectively, whereas Gujarat has 78.03% literacy rate and 33% financial literacy rate. Capital of Gujarat, Gandhinagar has 84.16% literacy rate but no detailed analysis to know financial literacy level of people from Gandhinagar District has been made till now. Here, attempt has been given to identify financial literacy level of selected people from Gandhinagar District. Above results from Census, 2011 and different NCFE reports clearly indicate wider gap between literacy level and financial literacy level prevailing in nation which has urgent need of improvement in 21st century.

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