

ANALYSIS OF FINANCIAL LITERACY AND ITS IMPACT ON FINANCIAL ATTITUDE AND FINANCIAL SECURITY: A STUDY OF EMPLOYEES WORKING IN CHENNAI.

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Abstract

Financial Inclusion is a lofty ideal but financial literacy is the first step towards achieving financial inclusion. Worries about money such as saving for a home, raising children, losing a job, retirement planning is not limited to those with loans or lower income groups. Everyone worries about money at some point in their lives and financial security affects all. It is very important for employees to feel financially secure as these financial worries might also affect their work. Most importantly employees must be able to save and invest their savings appropriately to secure their financial future, but the challenge is in understanding if employees can make informed decisions from the complex financial choices available in the market.

Key Words: Financial Literacy, Financial Security, Attitude, Employee ability etc.

Introduction:

Post liberalization the fast growth of Indian economy and complicated financial market has raised concerns about the unstructured financial decisions which affects the financial security of individuals. In an era of globalization, where the governments and employers have shifted the burden of financial well-being on employees/ individuals; there is a growing concern about the employee's ability to make sound financial decisions and achieve individual financial well-being. Studies provide evidences that individuals face a lot of challenges in managing their money effectively and have also reported that more number of people are financially illiterate. Financial literacy is all about gaining knowledge, skills and confidence employees need to make sound financial decisions that can improve their financial well-being which makes them feel financially secure. Hence, it is more important to evaluate the knowledge and attitudes of individuals in achieving one's financial security.

Financial Literacy in India

OECD defines financial literacy as "a combination of financial awareness, knowledge, skills, attitude and behaviors necessary to make sound financial decisions and ultimately achieve individual financial wellbeing" (OECD, 2015)

In India majority of the population is deprived of basic banking facilities; thus, the Pradhan Mantri Jan-Dhan Yojana (PMJDY) - a National Mission on Financial Inclusion was launched which aims to educate people both rural and urban, on financial literacy, by conducting financial literacy programmes about savings, credit, management of money, timely repayments of loans, building a good credit history,

awareness of banking products and advantages of access to a formal financial system. It is regarded as an important requirement for functioning effectively in a modern society.

According to Dr.Subbarao, Reserve Bank Governor of India, “In the Reserve Bank we treat financial inclusion and financial literacy as twin pillars. Financial literacy stimulates the demand side – making people aware of what they can and should demand. Financial inclusion acts from the supply side – providing in the financial market what people demand”. Raising financial literacy supports social inclusion and enhances the wellbeing of the community.

Today, many employees are struggling to manage their money such as making their ends meet, increasing personal debts and their inability to save coupled with job insecurity. Lack of proficiency in financial concepts and planning leads to poor choice of financial products which ultimately affect their financial well-being. This research focuses on the ability of employees to manage their finances efficiently that includes the knowledge and understanding of making appropriate decisions which includes savings, investments, insurance etc. together with employee’s attitudes in achieving their goal of financial security.

Objectives of the Study:

- 1.To study and analyze the level of financial literacy of employees working in Chennai.
- 2.To assess the impact of financial literacy on financial attitude of employees working in Chennai.
- 3.To examine the impact of financial literacy on financial security of employees working in Chennai.
- 4.To analyze the relationships among the financial literacy, financial attitude and financial security of employees working in Chennai.

Hypothesis of the Study:

1. There is no significant difference between Male and Female respondents with respect to the level of financial literacy on the various aspects.
2. There is no significant relationship between Level of Financial Literacy and Financial Attitude and between Financial Literacy and Financial Security and Financial Attitude and Financial Security.

Methodology of the Study:

The present study selected to analyze financial literacy and its impact on financial attitude and financial security. This study involved the collection of primary data from employees /workers employed in various private sectors in Chennai. Data was collected through structured questionnaires. The secondary data is collected from journals, published research papers and websites.

Sampling Method:

Cluster sampling method has been used for this study and 150 employees from various private sector organizations within Chennai city limits was selected for this study.

Tools & Techniques Used for Data Collection and Analysis:

Questionnaire, Personal Interview and Observation techniques have been used to collect the Primary data relating to the **level of financial literacy, financial attitude and financial security of employees working in Chennai**. The data, after collection, has been analyzed through various statistical tools like One-way ANOVA, Independent Sample t test, Multiple Regression, Pearson Correlation, etc.

Review of Literature:

Lavanya Rekha Bahadur (2015), analyzed two pillars of the economy: financial literacy and financial inclusion and its current scenario as well as common people perspective about financial instruments. Data collected from 202 Mumbai and Thane district individuals. It is found that level of financial literacy is very low and suggested to encourage financial literacy from school level, national level programs and seep effort to the grass root level.

K N Narendra (2014), discussed the role of financial planner in the era of overloaded information. Study suggested that the persistent and prolonged efforts by all stake holders to educate and bring down revolution in India.

V Mathavathani et al. (2014), focused on financial literacy of rural women in Tamilnadu based on 3 factors: knowledge, behavior and attitude. It is found that very low financial literacy among rural women.

Puneet Bhushan et al. (2013), conducted survey of 516 salaried individuals of Himachal Pradesh using multistage sampling to check the financial literacy level. It is found that overall literacy level is low and financial literacy level of male is more than females. Level of education, income, nature of employment and place of work influence on financial literacy whereas geographical region does not influence on financial literacy.

Harsha V Jariwala (2014) assessed the financial literacy level of individual investors in Gujarat state, India and its effect on investment decision by considering 44 variables. The research found that 39.2% of 285 respondents are higher level of financial literacy and found that financial literacy does have statistically significant effect on investment decision.

Visa Financial Literacy Survey (2014), depicts Indians are least financially literate people across the globe with youngsters and women struggling most with their financial knowledge. Only 25% of total population in India are financially literate and ranked 23rd among 28 countries.

Interpretation of Data Analysis & Results:

Table 1

Gender Classification of the Respondents

Gender	Number of Respondents	Percentage
Male	86	57.30
Female	64	42.70
Total	150	100.00

From the above table, it is inferred that out of 150 respondents, Male respondents comprises of 86 (57.30%) and female respondents comprises of 64 (42.70%) respectively.

Table 2

Age Classification of the Respondents

Age Group	Number of the Respondents	Percentage
18-30	65	43.00
30-50	55	37.00
50-66	30	20.00
Total	150	100.00

The above reveals that the range of Age of the respondents is 18 to 66 years. 43% of the respondents are in the age group of 18 – 30 years. 37% of them are in 30 – 50 years and the remaining 20% of them come under the age group of 50 – 66 years.

Table 3

Martial Status of the Respondents

Status	Number of Respondents	Percentage
Married	85	56.70
Unmarried	65	43.30
Total	150	100.00

Table 3 shows that 85 respondents are married (56.70%) and 65 respondents are unmarried (43.30).

Table 4**Educational Qualification Classification of the Respondents**

Educational Qualification	Number of the Respondents	Percentage
School / Diploma	41	27.30
UG / PG	79	52.70
Professional	30	20.00
Total	150	100.00

Table 4 depicts the classification of respondents based on education, on this basis 27.30%, 52.70%, and 20% of the respondents are completed their education up to school and diploma level, college level and remaining are professionals.

Table 5**Income Wise Classification of the Respondents**

Income	Number of the Respondents	Percentage
Up toRs. 25,000	63	42.00
Rs. 25,001 – Rs. 50,000	57	38.00
Rs. 50,001 – Rs. 75,000	11	07.30
Above Rs. 75,000	19	12.70
Total	150	100.00

Table 5 shows that out of 150 samples, 63 respondents earns up toRs. 25,000, 57 respondents between Rs. 25,001 – 50,000, 11 respondents earn between Rs. 50,001 – Rs. 75,000, and 19 respondents earns more than Rs. 75,000.

Table 6**Sector Wise Classification of the Respondents**

Type of Sector Working	Number of Respondents	Percentage
Service Sector	83	55.30
Non – Service Sector (Trading & Manufacturing)	67	44.70
Total	150	100.00

Table 6 shows that 83 respondents (55.30%) belongs to service sector and 67 respondents are from Non-service sector (Trading & Manufacturing) Organizations.

Level of Financial Literacy – MEAN Analysis

Table 7

LEVEL OF FINANCIAL LITERACY

S. No.	LEVEL OF FINANCIAL LITERACY	N	Mean	SD
1.	Savings	150	10.76	2.319
2.	Investments	150	10.65	2.533
3.	Insurance	150	10.56	2.628
4.	Banking	150	10.57	2.774
5.	Budgeting	150	10.55	2.440
6.	Credit/Debt Management	150	10.49	2.273
7.	Retirement	150	10.36	2.510
8.	Banking Technology	150	10.44	2.529
9.	Taxation	150	9.29	2.558
10.	Other Financial Aspects	150	10.16	2.485
	LEVEL OF FINANCIAL LITERACY	150	103.83	18.757

In order to identify the level of financial literacy of the respondents, 30 Questions relating to 10 aspects (3 Questions for each aspect) are questioned from the respondents through the structured questionnaire by using 5-point Likert Scale ranging from Very Low (1) to Very High (5).

From the above table, it is found that out of ten aspects of financial literacy, the respondents have more financial literacy on Savings (M = 10.76), Investments (M = 10.65) and Banking (M = 10.57) when compared with others. The respondents have less financial literacy in case of Retirement (M = 10.36), Other financial aspects (M = 10.16) and Taxation (M = 9.29) when compared with others. From the above table, it is also inferred that the level of financial literacy of the respondents are above the average level since all Mean values of the financial aspects are above 10 (67%) out of 15 except taxation. The mean value of the overall level of financial literacy of the respondents is 103.83, which is 69.22% ($103.83/150 \times 100$). This indicates that the level of financial literacy of the respondents on the various aspects is above 69%.

Testing of Hypothesis:

H₀: There is no significant difference between Male and Female respondents with respect to the level of financial literacy on the various aspects.

H_a: There is significant difference between Male and Female respondents with respect to the level of financial literacy on the various aspects.

Table 8

DIFFERENCE BETWEEN GENDER AND LEVEL OF LITERACY

VARIABLE	GENDER		t -	p -
	MALE	FEMALE		

	N	Mean	SD	N	Mean	SD	value	value
Level of Financial Literacy	86	105.74	18.43	6	101.24	18.96	3.652	0.018
				4		2		*

Source: Primary Data (* 5% level of significance)

An independent-samples t-test was conducted to compare the difference between Male and Female respondents with respect to the Level of Financial Literacy. As the P value (0.018) is lesser than Sig. Value (0.05), the Null Hypothesis is rejected. Based on the mean score of the level of financial literacy, we can say that the mean values of male respondents (M = 105.74) is more than the female respondents (M = 101.24) with respect to Level of Financial Literacy. This indicates that the male respondents have more financial literacy than the female respondents.

Hence, it is concluded that there is a statistically significant difference between Male and Female respondents with respect to the level of financial literacy on the various aspects.

H₀: There is no significant relationship between Level of Financial Literacy and Financial Attitude and between Financial Literacy and Financial Security and Financial Attitude and Financial Security.

H_a: There is significant relationship between Level of Financial Literacy and Financial Attitude and between Financial Literacy and Financial Security and Financial Attitude and Financial Security.

A Pearson product-moment correlation was run to determine the relationship between Level of Financial Literacy and Financial Attitude and between Financial Literacy and Financial Security and Financial Attitude and Financial Security.

Table 9
RELATIONSHIP BETWEEN
FINANCIAL LITERACY – FINANCIAL ATTITUDE – FINANCIAL SECURITY

VARIABLES	N	'r' VALUE	P - VALUE	RELATIONSHIP	REMARKS	
					SIGNIFICANT	RESULT
Financial Literacy – Financial Attitude	150	0.926*	0.000	Positive	Significant	REJECTED
Financial Literacy – Financial Security	150	0.913*	0.000	Positive	Significant	REJECTED
Financial Attitude – Financial Security	150	0.984*	0.000	Positive	Significant	REJECTED

Source: Primary Data **. Correlation is significant at the 0.01 level (2-tailed).

As the P value is lesser than Sig. Value (0.01) in all the above cases, the Null Hypotheses are rejected. There are high positive correlation between Financial Literacy and Financial Attitude ($r = 0.926$), between Financial Literacy and Financial Security ($r = 0.913$) and between Financial Attitude and Financial Security ($r = 0.984$). The relationship between them are highly significant.

Out of three relationships, Financial literacy has more relationship with Financial Attitude ($r = 0.926$) than Financial Security ($r = 0.913$). The relationship between Financial Attitude and Financial Security ($r = 0.984$) is more than others. It is inferred that financial literacy has strong influence on financial attitude and financial security and positive financial attitude leads to financial security.

Hence, there is a significant relationship between Level of Financial Literacy and Financial Attitude and between Financial Literacy and Financial Security and Financial Attitude and Financial Security.

FINANCIAL LITERACY – FINANCIAL SECURITY

Regression is the determination of statistical relationship between two or more variables. Multiple regression analysis is conducted to find out the contribution of level of financial literacy aspect in predicting Financial Security. In this Multiple Regression analysis, the dependent variable is Financial Security and the Independent variables are Savings, Investments, Insurance, Banking, Budgeting, Credit/Debt Management, Retirement, Banking Technology, Taxation and Other Financial Aspects.

Table 10

FINANCIAL LITERACY – FINANCIAL SECURITY

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.118	.533		.222	.824
	Savings	.604	.107	.411	5.672	.000
	Investments	.536	.065	.372	8.284	.000
	Insurance	.311	.094	.194	3.329	.001
	Banking	.316	.093	.211	3.405	.001
	Budgeting	.237	.057	.170	4.147	.000
	Credit/Debt Management	.422	.068	.292	6.182	.000
	Retirement	.219	.121	.163	2.599	.032
	Banking Technology	.002	.032	.002	.065	.949
	Taxation	.053	.041	.037	1.280	.203
	Other Financial Aspects	.044	.091	.030	.482	.630

Dependent Variable: FINANCIAL SECURITY

This combination of seven out of 10 variables predicts the dependent variable i.e., Financial Security, $F(10, 139) = 169.532$, $p = .000$ which is lesser than .001 (Sig. Value 2-tailed) and the Adjusted R squared value was 0.919.

Savings (0.411) is the strongest influencing factors which predicting dependent variable, Financial Security followed by Investments (0.372). The beta weights suggest that Savings (0.411) only contribute most (0.411 or 41%) to predict Financial Security. It means for every 1 Standard Deviation of increase in the Savings, scores on Financial Security increase by 0.411 Standard Deviations, controlling for the scores of other variables in the equation. From the unstandardized coefficient, it is found that the one-unit increase in the Savings would increase the Financial Security by 0.604 units. Investments (0.372), Insurance (0.194), Banking (0.211), Budgeting (0.170), Credit/Debt Management (0.292) and Retirement (0.163) also predict the Financial Security significantly but lesser than Savings. Banking Technology (0.002), Taxation (0.037) and Other Financial Aspects (0.030) do not predict Financial Security, as they are insignificant.

Adjusted R^2 provides the proportion of variation in the dependent variable that is explained by the independent variables in the model. The adjusted R squared value was 0.919. This indicates that 92% of the

variance in the Financial Security can be predicted from the independent variables (Financial Literacy aspects). Remaining 8% is unexplained. According to Cohen (1988), this is large effect.

Conclusion:

The present study consists of people employed with a formal education that included both men and women. The expectation was employees have commensurate financial literacy that enhances the ability of employees to be able to take informed decisions to achieve one's financial security. The study reveals that financial literacy level among employees is low. It is also observed that women and youngsters are struggling with their basic financial knowledge which affects their capacity in taking informed financial decisions. Savings has not resulted in appropriate investments as employees lack the financial knowledge that has affected their financial security despite having a positive attitude. To achieve financial security, employees, must be equipped with financial knowledge, positive attitude, and skills to understand the financial matters and products available in the market to take informed decisions. The government and RBI has initiated many steps to improve the financial literacy, yet, the levels of financial literacy are low. It is essential to develop the level of literacy through new initiatives. The favorable aspect in the analysis is the positive attitude of women towards finance matters; but the attitude has not been complimented with the necessary financial knowledge that can improve their understanding of financial products more effectively that can lead to financial security. The focus of the government and even by the employers in the private sector, should be to improve the financial knowledge by conducting financial literacy campaigns, seminars, classes, workshops etc. at work place which will be highly effective for employees in the private sector rather than seeking financial advice from experts which may prove costly for them. These programs should be specifically designed to address their ability in building their financial security. They should focus on all aspects such as banking, insurance, use of technology in banking, use of debt and credit, retirement planning and other financial aspects like risk taking and risk diversification. Implementation of Financial education programs on a regular basis, will help employees develop their financial knowledge which will lead to positive behavior and develop skills towards informed decision making which will provide for their financial security and the development of economy.

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