



THE IMPACT OF FINANCIAL LITERACY ON INDIVIDUALS BEHAVIOR WITH REFERENCE TO COIMBATORE DISTRICT.

Authors

Dr.M.SURESH* and Ms. FASEELA.N**

***Assistant Professor CMS Academy of Management and Technology, Chinnavedampatti Coimbatore – 49**

**** Research Scholar CMS Academy of Management and Technology, Chinnavedampatti Coimbatore – 49**

Abstract: Financial literacy is the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. When you are financially literate, you have the essential foundation for a smart relationship with money. The research results show that the individuals have satisfactory level of financial Literacy on the Coimbatore District. Based On analyzing the financial behavior of individuals, it was found most of them exhibited highly positive financial behavior. It is also observed that financial Literacy can enhance people's skills and capabilities to make more and more which is ultimately lead to a positive financial behavior. Researcher can conclude that increasing the level of financial education stimulates wise economic behavior.

Keywords: financial Literacy, relationship, financial behavior and economic

INTRODUCTION

Present, the value of financial Literacy is rising. Financial Literacy is especially important in the economic and financial spheres since it can explain a variety of financial and economic behavior. Economic agents' ability to understand basic financial concepts and make decisions is greatly influenced by their level of financial Literacy. Individuals are now more actively involved in their financial planning than ever before thanks to the passage of time. In fact, given that recent crises disproportionately hurt the young and inexperienced, this increased responsibility may have originated from a humanistic need to protect oneself.

One could argue that the 2008 subprime mortgage crisis, which was a global crisis, brought financial Literacy to the fore (Mandell and Klein, 2009, p. 16; Robb and Woodyard, 2011, p. Shahrabani (2012), p. 156; 60). On the other hand, the two primary difficulties can increase the significance of this financial understanding (Rooij, Lusardi and Alessi, 2007, p.2). First, the variety of financial products—many of which are fairly complex and difficult to understand— requires knowledge of and comprehension of financial ideas and issues. According to Mandell and

Klein (2009, p. 16), the emergence of this diversity of financial instruments in the US followed the deregulation of the financial markets. The second and most recent social security reform in the US, and indeed everywhere else in the world, calls for people to actively manage their finances. Understanding financial concepts and being able to identify financial instruments seem to be crucial for people making any kind of financial decisions. Financial Literacy is the ability to understand how money works in the world and take an informed as well as a judicious decision with regard to all financial activities. A person who is financially literate knows how to earn, manage and invest money. He is familiar with financial products and applies his knowledge to make the best use of them. Recent developments have made financial education and awareness increasingly important for financial wellbeing.

OBJECTIVES OF THE STUDY

The main objectives of the paper are as follows:

1. To find out the level of financial Literacy on advanced financial Literacy.
2. To analyze the impact of between financial Literacy and financial behavior.

DATA AND METHODOLOGY

For the purpose of the study, convenience sampling was followed and 278 responses were collected. The study uses questionnaire method of data collection. The questionnaire consisted of three parts: the first part covers demographic information, the second part aims at measuring the level of financial Literacy, and the third part aims to analyze the financial behavior of the respondents. Cronbach's alpha test was administered to assess the reliability of the questionnaire. The result of the reliability coefficient (alpha) was 0.855.

FINANCIAL LITERACY

Mean score of the respondents for advanced Literacy is 10.78 with a SD of 2.80. Questions on stock markets, bonds, debentures, mutual funds, diversification and loan financing were asked to test the level of advanced Literacy among respondents. A similar analysis as that of basic Literacy was performed, and the scores of the respondents in this group were also categorized into low, moderate and high levels. The results show that 60% of the respondents fall into the high category and have answered 9 or more out of 12 questions correctly. 33% of the respondents are in the moderate literacy level by giving between 5 to 8 correct answers. 13% of the respondents belong to the low advanced literacy segment. In the advanced literacy segment for 7 out of 12 questions more than 75% of the respondents gave correct answers. A large number of respondents were not aware of bond prices as only 35% gave the 'correct' answer. For the question on comparison between stocks & bonds and stocks & mutual funds, a number of respondents who opted for 'don't know' is higher than those who gave the wrong answer.

ANALYSIS AND RESULTS

Overall Literacy To test the level of Literacy of the respondents, **30 questions** were asked to assess their knowledge on various concepts like simple interest, compounding, time value of money, inflation, credit purchase, savings interest, diversification, stock markets, bonds, debentures, mutual funds and loan financing. For each of the questions

three options (**Yes / No / Don't know**) were given to the respondents. The answers given by the respondents were evaluated for each of the questions and categorized into 'correct answers', 'incorrect answers' and 'don't know'. An item wise analysis was conducted for each of the questions on knowledge. More than 90% of the respondents were well aware of the concept of simple interest, inflation, stock price fluctuations, credit cards and savings account interest as they have answered the questions on the above concepts correctly. The respondents had a reasonably good score of for concepts such as stock market functions, mutual fund, stock & bond risk factors, diversification and loan financing by answering them correctly. It is observed that most don't have knowledge about bond / debenture prices and credit purchasing power.

FINANCIAL BEHAVIOUR

Behavior Factors	Mean	SD
Debt management	4.23	4.70
Personal financial management	4.27	17.4
Long term planning	7.23	2.11
Emergency and risk planning	25.20	9.10
Advice seeking	1.14	7.78
Overall behavior	2.34	05.14

Study the financial behavior of the individual. And it is found that 20% of the respondents have low or negative financial behavior, 80% of the respondent's positive financial behavior, exhibit highly desirable behavior. Financial behavior includes elements such as managing personal expenses, debt management, long term planning, emergency and risk management and advice seeking. Debt Management: It considers dimensions such as payment of bills like rent, insurance premium, electricity, credit card etc. Short term loans taken in the past few years and repayment of loan on time is also taken into account while evaluating debt management. Personal financial management: It considers dimensions such as drafting a monthly budget, buying things after careful consideration and identifying needs and wants separately. Long term planning: It considers dimensions such as retirement planning, long term saving and long term investments. Emergency and risk planning: To exhibit positive financial behavior, one needs to set aside emergency fund and be adequately covered by insurance. This factor analyses emergency and risk planning behavior of the respondents. Advice seeking: It is considered important to be updated on financial information from various sources like newspapers, TV, friends and financial consultants. This factor studies the financial behavior of the respondents with respect to advice seeking.

FINANCIAL LITERACY AND FINANCIAL BEHAVIOR

CORRELATION

Variables	Debt Management	Personal Finance	Long Term Planning	Emergency and Risk	Advice Seeking	Overall Behavior
Basic Knowledge	.621(**)	.461(**)	.145(**)	.412(**)	.178(**)	.478(**)
Advanced Knowledge	.674(**)	.875(**)	.751(**)	.471(**)	.741(**)	.145(**)
Overall Knowledge	.781(**)	.745(**)	.678(**)	.415(**)	.145(**)	.0817(**)

** Correlation is significant at the 0.01 level (2-tailed).

This section aims to study the relationship between the level of Literacy (knowledge) and financial behavior. Pearson's correlation test is used to determine the relationship between the basic Literacy, advanced Literacy, overall Literacy and financial behavior. The results show that the correlation coefficient between overall Literacy and overall financial behavior is 0.817 which indicates 70.6% positive relationship between overall Literacy and overall behavior and this is significant at 1% level. The correlation coefficient between advanced Literacy and behavior indicates 63.6% positive relationship between the two variables and the correlation between basic literacy score and behavior is 65.8% positive at 1% level. It is clear from the above analysis that the level of Literacy has a positive relationship with financial behavior.

MULTIPLE REGRESSION ANALYSIS

Variables	Unstandardized Coefficients	SE of B	Standardized Coefficients	t	Sig.
(Constant)	10.127	1.314			.000
Basic Literacy	.311	.271	.355		.000
Advanced Literacy	.445	.142	.423		.000

Dependent Variable: Financial Behavior these results are further validated by performing a regression analysis. The dependent variable is financial behavior and the independent variables are basic and advanced Literacy. Based on the standardized coefficient it can be inferred that advanced Literacy (0.423) is the most important factor influencing wellbeing followed by basic Literacy (0.355).

CONCLUSION AND DISCUSSION

This research makes an access to the financial literacy (knowledge) and highlight how it affects financial security. The majority of respondents (90%) had a respectable degree of financial literacy, which is one of the study's key

results. It has been discovered that 85% of the respondents are well-versed in fundamental notions of literacy, including simple interest, inflation, credit cards, and savings interest rate.

Only 60% of the respondents are well-versed on advanced literacy topics including diversification, stock market swings, long-term returns, and risk vs. return on investments. Basic financial concepts like compounding, time worth of money, and credit purchases, as well as more complex ideas like how the market works, are largely unknown to respondents. Bond prices, the stock market, mutual funds, and loan finance. The vast majority of survey participants behave in a relatively positive way. Positive financial behavior is seen in areas including debt management, personal finance, long-term planning, emergency & risk, and advice-seeking behavior. It is possible to draw the conclusion that there is a favorable correlation between basic and advanced financial literacy and financial behavior based on the results of the study.

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