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Research Paper

MEASUREMENT OF FINANCIAL LITERACY: A SAMPLE STUDY AMONG THE PEOPLE OF KAMRUP (M) DISTRICT, ASSAM

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ABSTRACT

Financial literacy is the possession of knowledge and understanding of financial matters. It is also termed as financial education, financial knowledge and economic education. The absence of financial literacy may lead to making poor financial decision that can have adverse effects on the financial health and wellbeing of an individual. Therefore, financial literacy initiatives have been started in many countries throughout the World. An attempt is made to summarize available literatures of this filed and find out gaps. The study is carried out to measure the level financial literacy among the people of Kamrup (M) district of Assam and to identify and analyze the socio economic variables of the respondents and its impact on the level of financial literacy.

KEY WORDS: Financial literacy, Literature review, Measurement, Demographic & Socio-economic variables.

INTRODUCTION

Finance or money plays a pivotal place in the life of a person, irrespective of age, gender, education, income, caste or religion. Money is essential for personal well being as well as well being of the family and society as a whole; hence, knowledge and skills of money management is considered to be an important life skill in the modern society which is known as financial literacy. Financial literacy is the possession of knowledge and understanding of financial matters. In short, financial literacy means knowledge and skills of management of personal finance. In broad sense, it refers to the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial wellbeing (PACFL-USA, 2008). The term 'Financial Literacy' is being defined by different authorities and scholars differently from different standpoints. Some of them are being quoted below-

According to CFAIR (2009), "financial literacy is having the knowledge, skills and confidence to successfully carry out the financial transactions encountered in everyday life."

According to Atkinson A, et al (2012), "financial literacy is a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual well-being."

According to ASIC (2014), "financial literacy refers to a combination of financial knowledge, skills, attitudes and behaviors necessary to make sound financial decisions, based on personal circumstances, to improve financial wellbeing."

Financial illiteracy or poor financial literacy among the citizens is one of the major hurdles to the economic development of our nation. At present 20 percent of Indian population is financially literate on an average, it is 25 percent in urban area and 15 percent in rural area (NCFE -Financial literacy survey, 2014). The



financial illiteracy/poor financial literacy among the common people is the main reason behind the increased financial scams or ponzi scams in India. Some of these Scams are tabulated as below-

Table 1: Some of the major financial or ponzi scams in India:

Sl.No.	Scams	Amount	Year
1	The Rose Valley Ponzi Scam	Rs. 15,000 Cr	March, 2016
2	Basil International Ltd. Chit Fund Scam	Rs. 3,500 Cr	July, 2016
3	Saradha Group Chit Fund Scam	Rs. 2,500 Cr	April, 2013
4	Sea Shore Group Chit Fund Scam	Rs.580 Cr	May, 2013
5	Artha Tattva Group Chit Fund Scam	Rs.200 Cr	My, 2014

LITERATURE REVIEW

The available literatures reviewed for the study have been summarized in the table below-

Table 2: Summary of literature review:

Author(s) & Year	Title	Geographic area	Segment/ Sample	Key issues	Results
Chen H and Volpe P (2002)	Personal financial literacy of students in Colleges	Ohio, U S A	Student/ 924	Financial knowledge, Financial curriculum	Mean score is 52.80%; Students have an average knowledge on financial matters
Lusardi A and Mitchell O S (2007)	Financial Literacy and Retirement Preparedness	U S A	Workers above age of 50 years	Financial knowledge, retirement planning, saving and investment behavior	50% can respond correctly; Financial literacy was low for Blacks and Hispanics, women, and those with low education
Ibrahim D (2009)	Financial literacy of Malaysian degree students	Kedah, Malaysia	Students (Age 18-20)/ 200	Levels and determinants of financial literacy	Low level of financial literacy; Respondents having higher financial knowledge bear higher financial attitude
Lusardi A et al (2010)	Financial literacy amongst the young	U S A	Young people/ 7414	Financial illiteracy, financial decision	Low financial literacy: significant difference prevails in the levels of financial literacy of male and female
Taylor M (2011)	Measuring Financial Capability and its Determinants	U S A	B H P survey data (1991-2006)	Financial capacity and determinants.	Financial capacity is determined by health, financial ability and knowledge
Setty V S (2012)	Financial literacy amongst the college students	Mumbai India	Financial knowledge and behavior	Money management skill, financial knowledge	Financial literacy is poor as compared to global standard: Commerce and business graduates score higher
Bahmar Z et al (2012)	Financial literacy, prosperity and its association with demographic variables	Yazd Iran	Financial knowledge and Wellbeing	Financial literacy, demographic variables	60% teachers are financially literate; demographic variables are linked to teacher's financial well being except marital status
Shaari N A (2013)	Financial literacy: A study among the University students	Malaysia	Financial knowledge	Levels and determinants of financial literacy	Moderate financial literacy i.e. 65.7%; Age, Gender, Spending habits and Faculty effect financial literacy
Bhushan P and Medury Y (2013)	Financial literacy and its determinants	Himachal Pradesh India	Financial knowledge	Financial literacy, key determinant	Low levels of financial literacy i.e. 58.30%; It is closely associated with economic, demographic and geographic factors
Agarwalla S K, et al (2013)	Financial literacy among working young in urban India	Ahmada bad India	Financial knowledge, behavior	Financial literacy, socio-economic variables	24% of respondents have high financial knowledge; majority exhibits desirable financial behavior
Taft M K (2013)	Relationship between financial literacy, financial wellbeing and financial concerns	Iran	Financial wellbeing and financial concern	Financial literacy, concern, wellbeing, demographic variables	Positive relation between financial literacy i.e. higher level of financial literacy is followed by higher financial wellbeing
Aggarwal N et al (2014)	Financial Literacy among Farmers: Empirical Evidence from Punjab	Punjab India	Financial knowledge	Measurement of financial literacy	37% of the farmers have sound financial literacy, 47% have fair financial literacy and 2% have lowers
Thapa B (2015)	Financial literacy in Nepal: A survey Analysis from College students	Kathmandu Nepal	Financial knowledge	Measurement of financial literacy and analysis of its variables	Students have basic financial knowledge; demographic and educational factors are significantly associated.

RESEARCH GAP

The review of literature shows that financial literacy is a major concern for both the developed and developing nations in the world. Studies have been carried out throughout the world at different geographical locations and with different socio-economic status of the target groups. The studies have focused only on specific aspects of the financial literacy but not on all the dimensions i.e. financial knowledge, behavior, attitude, concern and wellbeing. Most of the studies (71 percent) cover only two dimensions - financial knowledge and behavior. And only a few (39 percent) of the studies cover financial knowledge, behavior, attitude, concern and wellbeing. The three key issues concerning financial literacy – measurement, levels and determinants are focused in most of the studies. Only two studies have concentrated on financial literacy curriculum and programmes which are of utmost importance to improve financial literacy among people. Therefore, there is enough scope of research work in the segments and dimensions of financial literacy not covered so far.

OBJECTIVES OF THE STUDY

The study is carried out to attain the following objectives:

- To estimate the level of Financial literacy among the people of Assam; and
- To find out and analyse the relationship of financial literacy with demographic & socio-economic variables of the people of Kamrup (M), Assam.

RESEARCH HYPOTHESES

The following null hypotheses vis-à-vis alternative hypotheses have been framed for the testing purpose:

Hypothesis-1

H_0 : People of Kamrup (M) Assam are not financially literate (Average Score <13)

H_1 : People of Kamrup (M) Assam are financially literate (Average Score \geq 13)

Hypothesis-2

H_0 : There is no significant relationship between the levels of financial literacy and gender of the people.

H_1 : There is a significant relationship between the levels of financial literacy and gender of the people.

Hypothesis-3:

H_0 : There is no significant relationship between the levels of financial literacy and marital status of the people.

H_1 : There is a significant relationship between the levels of financial literacy and marital status of the people.

Hypothesis-4

H_0 : There is no significant relationship between the levels of financial literacy and age of the people.

H_1 : There is a significant relationship between the levels of financial literacy and age of the people.

Hypothesis-5

H_0 : There is no significant relationship between the levels of financial literacy and educational qualification of the people.

H_1 : There is a significant relationship between the levels of financial literacy and educational qualification of the people.

Hypothesis 6:

H_0 : There is no significant relationship between the levels of financial literacy and profession of the people.

H_1 : There is a significant relationship between the levels of financial literacy and profession of the people.

Hypothesis-7

H_0 : There is no significant relationship between the levels of financial literacy and income of the people.

H_1 : There is a significant relationship between the levels of financial literacy and income of the people.

METHODOLOGY

The study is conducted under descriptive survey method. The geographical area of the study is confined to Kamrup (M) district of Assam. The sample for the study is selected conveniently which comprises of 100 respondents from all socio-economic strata. Data for the study have been collected through self constructed questionnaire containing 20 multiple choice questions related to financial literacy. The score of the respondents can have minimum value of 1 and maximum value of 20. In order to derive the financial literacy level a cutoff has been fixed at 13 (i.e. 65 percent) after taking into consideration the same of similar other studies. The respondent who scores less than 13 will be considered to be financially illiterate and who scores equal or more than 13 points will be technically considered as financially literate. However, financially literate people have been further segregated into two categories – moderately literate (Score \geq 13 and <18) and highly literate (Score \geq 18). The hypotheses of this study have been tested with the help of ANOVA.

RESULTS AND DISCUSSION

The level of financial literacy among the people of Kamrup (M) District of Assam has been measured and analysed using statistical tools. The following table shows the financial literacy level among the people of Kamrup (M), Assam-

Table 3: Levels of Financial Literacy:*(In percentage)*

Demographic & Socio-economic features	Financially literate (Score >=13)	Moderately literate (Score >=13 and <18)	Highly literate (Score >=18)
Kamrup (M)	76%	66%	9%
<i>Gender wise:</i>			
Male	45%	38%	7%
Female	31%	29%	2%
<i>Marital status wise:</i>			
Unmarried	29%	28%	7%
Married	47%	38%	2%
<i>Age(Years) wise:</i>			
Below 18	4%	4%	-
18-24	14%	14%	-
25-49	18%	15%	3%
50-64	15%	14%	1%
65 and above	21%	16%	5%
<i>Educational qualification wise:</i>			
Below Matriculation	6%	6%	-
Matriculation	12%	12%	-
HS	17%	16%	1%
Graduation	19%	15%	4%
Post Graduation	22%	18%	4%
<i>Profession wise:</i>			
Student	4%	4%	-
Housewife	16%	16%	-
Corporate/Business	18%	16%	2%
Banker	23%	18%	5%
Officials/Clerk	17%	14%	3%
<i>Income(Per month) wise:</i>			
Below Rs.5000	5%	5%	-
Rs.5001-15000	14%	14%	-
Rs.15001-25000	16%	15%	1
Rs.25001-35000	18%	15%	3%
Rs.35000 and above	21%	16%	5%

Source: Primary data

Table-3 gives the summary of 'Financial Literacy Test'. It clearly shows the people's level of financial literacy according to their demographic and socio-economic variables in terms of percentage. Hypothesis-1 can be tested by analysing the result of the financial literacy test. Seventy six percent of the people of Kamrup (M) district of Assam are found to be financially literate (scored 13 to 20 points). It is further

segregated into moderate and highly financial literate groups. Sixty six percent of the people are moderate (scored >=13 and <18 points) financially literate where as only nine percent of them are highly financial literate (scored >=18 to 20 points). Hence, the first null hypothesis is rejected and it may be concluded that the people of Kamrup (M) Assam are financially literate.

Table 4: Average score and F values of financial literacy test:

Demographic & Socioeconomic features	Categories	Avg. score (Mean)	F	Significance
Gender	Male	15.60	4.162	.000
	Female	13.12		
Marital status	Married	15.20	4.38	.000
	Unmarried	13.04		
Age	Below 18	11.65	5.900	.000
	18-24	13.50		
	25-49	15.20		
	50-64	15.25		
	65 and above	15.80		
Educational Qualification	Below Matriculation	11.85	4.380	.0000
	Matriculation	13.15		
	HS	14.50		
	Graduation	15.65		
	Post Graduation	15.85		
Profession	Student	12.05	8.761	.000
	Housewife	13.35		
	Corporate/Business	15.25		
	Banker	16.05		
	Officials/Clerk	14.70		
Income	Below Rs.5000	13	11.352	.000
	Rs.5001-15000	15.15		
	Rs.15001-25000	15.14		
	Rs.25001-35000	15.21		
	Rs.35000 and above	15.23		

Source: primary data

Relationship of Financial literacy with Gender:

It is shown in the Table-4 that the level of financial literacy depends on the gender of the people. It is higher for the male (15.60) as compared to female (13.12). From the table it can be seen that F value is significant at 5% significance level. Hence, the second null hypothesis is rejected and it can be concluded that financial literacy level is influenced by the gender of the people.

Relationship of Financial literacy with Marital status:

Table-4 shows that the level of financial literacy depends on the marital status of the people. It is higher for married (15.20) than the unmarried (13.04) people. From the table it can be seen that F value is significant at 5% significance level. Hence, third null hypothesis is rejected and can be concluded that financial literacy level is influenced by the marital status of the people.

Relationship of Financial literacy with Age:

In Table-4 it is clear that the level of financial literacy depends on the age of the people. It is the lowest for the age group of below 18 (11.65) and highest for the age group of 65 and above (15.85) followed by the age group 50-64 years (15.25). From the table it can be seen that F value is significant at 5% significance level. Hence,

the fourth null hypothesis is rejected and can be concluded that financial literacy level is influenced by the age of the people.

Relationship of Financial literacy with Educational qualification:

Table 4 shows that financial literacy level is correlated with the level of education. More the education level more is the level of financial literacy. Table 4 shows that financial literacy level is highest for people who have Post graduate degree (15.85) followed by those people who are graduates (15.65). From the table it can be seen that F value is significant at 5% significance level. Hence, the fifth hypothesis is rejected it can be concluded that financial literacy level is influenced by the educational qualification of the people.

Relationship of Financial literacy with Profession:

Table 4 shows that financial literacy level is highest for people whose profession is Banker (16.05) and is lowest for the student (12.05) and house wife (13.35). From the table-4 it can be seen that F value is significant at 5% significance level. Hence, the sixth hypothesis is rejected and it can be concluded that financial literacy level influenced by the Profession of the people.

Relationship of Financial literacy with Income:

The results of the Table-4 indicate that more the income more will be the level of financial literacy. Table 4 shows that financial literacy level is highest for the respondents having income level between Rs 35,001 and above (15.23) per annum followed by those who earn between Rs. 25001-35000 (15.21) per annum. From the table it can be seen that F value is significant at 5% significance level. Hence, the seventh hypothesis is rejected and it can be concluded that financial literacy level increases with the increase in income level of the people.

CONCLUSION

From the above analysis it can be concluded that overall financial literacy level of the people of the Kamrup (M), Assam is more than the average. However, it is low among students and house wives. It means that in Kamrup (M) district of Assam, some of the groups of people are unaware of their finance related issues. The results further express that level of financial literacy varies significantly among respondents based on various demographic and socio-economic variables. It can be concluded that financial literacy level gets affected by gender, marital status, age, education, income and nature of employment. Therefore, necessary measures are needed to be taken in order to increase knowledge and awareness about financial related matters especially for students, women and poor people in the district so as to extend benefits of financial inclusion to all the sections of the society.

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