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A Study On Different Dimensions Of Financial Literacy Level In India

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ABSTRACT:*The OECD INFE states financial literacy as "A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing". Financial literacy makes an individual to take intelligent decisions on different financial choices. Present study author is trying to compare the financial literacy performance of southern zone states. Study also done a comparison based on gender and category of the respondents of the survey. Data collected from secondary source NCFE Report on financial literacy and financial inclusion survey, 2015. The finding suggests that financial literacy rate of states in India has to improve by implementing schemes to improve the financial literacy in grass root level. Financial Inclusion programs should give more importance to females to reduce the gender gap.*

KEY WORD*: Financial literacy, Financial decisions, awareness, Kerala.*

1.1 Introduction

In this modern world, literacy can be defined as one's knowledge and competence in a specified area. Literacy in the financial world is one of the main factors for the individual's financial discipline. Financial literacy simply evaluates individual knowledge in the financial field. According to " Organization for Economic Co-operation and Development(OECD) defines financial education as the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well- being(2005)."

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Organization for Economic Co-operation and Development (OECD) evaluates financial attitude of person using their attitude towards spending money, saving money and planning money. Financial behavior of a person can be identified using the following preparation and involvement of household budget & management, ability towards meeting monthly expenses & how to manage the gap, choice of selection of financial products/services, gathering information before purchase of financial product/services, towards saving money, set long term goals, keep close watch on personal financial dealings, towards bills payments and towards affordability

Financial knowledge test is conducted with the division, inflation, risk diversification, simple and compound interest calculations, risk-return relationship and interest.

1.2 Literature review

Sekar.M,&Gowri.M.(2015) found that gender, income, age and education qualification have a great impacts the level of financial literacy and the choice of financial products of employees in Coimbatore City. Naidu, J. G. (2017) states that Financial Literacy level of the population in India is very less compared to other countries. Researcher also suggests that government should implement more schemes to improve the financial literacy rate.

Bhargava, N. R. (2016) in their study suggests the types of channels through which financial education can be conveyed. Which are as follows school curriculum, media marketing, resource persons, Self-help groups, Microcredit institutions ,Microfinance Institutions, Integrated communication channels and to establish toll free helpline communication centers.

Dube, V. S. &Asthana, P. K. (2017) done a study titled "A Comparative Study on Financial Literacy of Uttar Pradesh with Central Zone States in India". Financial literacy level of Uttar Pradesh is less than the Central Zone financial literacy level. Among central zone states Uttar Pradesh stood third in financial literacy level. The Government and financial institutions should introduce different schemes to educate the different classes of the society.

The surveys are showing financial literacy level of men are higher compared to the financial literacy level of female. There is huge gender gap in southern states in India. The financial literacy levels of southern states are better than other states but still a long way to go. Proper guidance from the authorities can improve the literacy level and reduce the gender gap.(Attokkaran&Vimala, 2018)

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1.3Statement of the Problem

Financial Literacy is helps a person to take decisions during their life situations. Financial literacy gave enough courage to take wise investment and consumption decisions. Whereas financial inclusion gave a way to the excluded population to get into the main stream. Financial inclusion tried to make the excluded people to know banks and banking infrastructure throughout the country. Following are few points discussed here which reveals the importance of financial literacy:

- To have knowledge of Financial Policies.
- To know about financial products.
- Builds a platform for better post retirement life and old age.
- Make smart savers and investors.
- Gives a person financial expertise and bargaining power.

There are some questions are yet to be answered which are
Is there any gender gap in literacy levels in India?
Is there any category difference in financial literacy levels of southern India?

1.4Objective of the study

- To study about gender gap in financial literacy level of different study zones in India
- To make a comparative study of performance in financial attitude test, financial behavior test, and financial knowledge test in southern zone states
- To make a comparative study of category wise financial literacy rates in southern zone states.

1.5 Data Analysis, Result and Discussion

SECTION 1

GENDER AND FINANCIAL LITERACY

The financial literacy levels of male were comparatively better than female financial literacy level irrespective of the zonal classification. In north zone Rajasthan is having the highest gender gap of 14 percentage and Andaman & Nicobar with lowest gender gap of 2 percentages. In West zone Goa is having the highest gender gap of 20 percentage and Dadra & Nagar Haveli,Daman& Diu and Gujarat with lowest gender gap of 10 percentage. In

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central zone Chattisgarh is having the highest gender gap of 6 percentage and Madhya Pradesh and Uttar Pradesh with lowest gender gap of 4 percentages. In southern zone Lakshadweep is having the highest gender gap of 9 percentage and Puducherry with lowest gender gap of 3 percentages. In East zone Manipur is having the highest gender gap of 17 percentage and Mizoram with lowest gender gap of 1 percentage.

Insert Table 1 here

Insert Figure 1 here

SECTION 2

A COMPARISON OF SOUTH INDIAN ZONE STATES FINANCIAL ATTITUDE, FINANCIAL BEHAVIOR, AND FINANCIAL KNOWLEDGE

"Financial literacy is a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve financial wellbeing." Atkinson and Messy (2012). NCFE Report on financial literacy, 2015 survey states India is having financial literacy rate of 20%. The literacy rate of different regions where as follows 15% in East Zone, 27% in Western Zone, 25% in South Zone, 21% in North Zone and 14% in Central Zone. Financial Inclusion in India scored 11 percentages. Financial Inclusion of different regions scored as 8% in East Zone, 13% in Western Zone, 12% in South Zone, 12% in North Zone and 9% in Central Zone.

Financial Attitude:

The overall financial attitude of the state taken here in the table as the summation average of money habits, saving money and planning money which stands around 53.33% in AndhraPradesh,50.33 % in Karnataka, 37.00% in TamilNadu 54.33% in Kerala, 36.67% in Maharashtra, 25.33% in Lakshadweep and 30.00% in Puducherry. Among the southern states Kerala is having the highest score in financial attitude test and scored less in Lakshadweep.

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Financial Behavior:

The overall financial Behavior of the state taken here in the table as the summation average of Preparation and involvement of household budget & management, Ability towards meeting monthly expenses & how to manage the gap, Towards evaluation of options for selection of financial products/services, Gathering information before purchase of financial product/Services, behavior towards saving money, behavior towards bills payments and behavior towards affordability. Percentage stands around 67.63% in AndhraPradesh, 64.25% in Karnataka, 69.00% in TamilNadu 69.63% in Kerala, 72.38% in Maharashtra, 65.88% in Lakshadweep and 62.13% in Puducherry. Among the southern states Maharashtra is having the highest score in financial attitude test and scored less in Puducherry.

Financial knowledge:

The overall financial Knowledge of the state taken here in the table as the summation average of Time value for money, Interest paid on loans, Simple interest Calculations, Compound interest calculations, Inflation, Risk-Return relationship and Diversification which stands around 61.00% in AndhraPradesh, 55.63% in Karnataka, 62.38% in TamilNadu 70.50% in Kerala, 59.50% in Maharashtra, 40.75% in Lakshadweep and 56.13% in Puducherry. Among the southern states Kerala is having the highest score in financial attitude test and scored less in Lakshadweep.

Insert Table 2 here

Insert Figure 2 here

SECTION 3

COMPARISON OF CATOGORY- WISE FINANCIAL LITERACY LEVELS OF SOUTHERN STATES

From the financial literacy survey, it is found that financial literacy levels of ST category respondents are more financially literate in Kerala, Lakshadweep and Tamilnadu. Financial literacy levels of General category are higher in Andhra Pradesh, Karnataka and Pondicherry.

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Insert Table 3 here

Insert Figure 3 here

The study mainly used National Centre for Financial Education Report on financial literacy and financial inclusion, 2015. Data were compiled from fact sheets of NCFE Report on financial literacy and financial inclusion, 2015 of Kerala, Tamil Nadu, Karnataka, Puducherry, Lakshadweep and Andhra Pradesh.

1.6Conclusion

The study tried to give comparison components of financial literacy in southern states in India. There is drastic difference on financial knowledge, financial attitude and financial behavior score among southern states. The gender gap between the states shows that financial literacy of females is less compared to male in every state. So there is need to improve the financial literacy level of females by providing financial literacy seminars and workshops at different levels of the society. Proper guidance about the financial matters from the school level by including in curriculum can improve the overall financial literacy level of the states.

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Tables and Figures:

Table 1: Gender-wise comparison of financial literacy level in India

States	*Men percentage financial literacy*	*Female Percentage financial literacy*	*Financial literacy gender gap*	*Overall Percentage financial literacy*
NORTH ZONE				
Andaman & Nicobar	15	13	2	14
Arunachal Pradesh	11	8	3	10
Assam	24	15	9	20
Bihar	11	4	7	8
NCT of Delhi	38	25	13	32
Punjab	15	11	4	13
Rajasthan	26	12	14	20
WEST ZONE				
Dadra & Nagar Haveli	32	22	10	31
Daman & Diu	32	22	10	29
Gujarat	37	27	10	33
Maharashtra	23	11	12	17
Goa	58	38	20	50
CENTRAL ZONE				
Madhya Pradesh	25	21	4	23
Uttarakhand	25	20	5	23
Chattisgarh	41	35	6	38
Uttar Pradesh	12	8	4	10
SOUTH ZONE				
Andhra Pradesh	25	21	4	23

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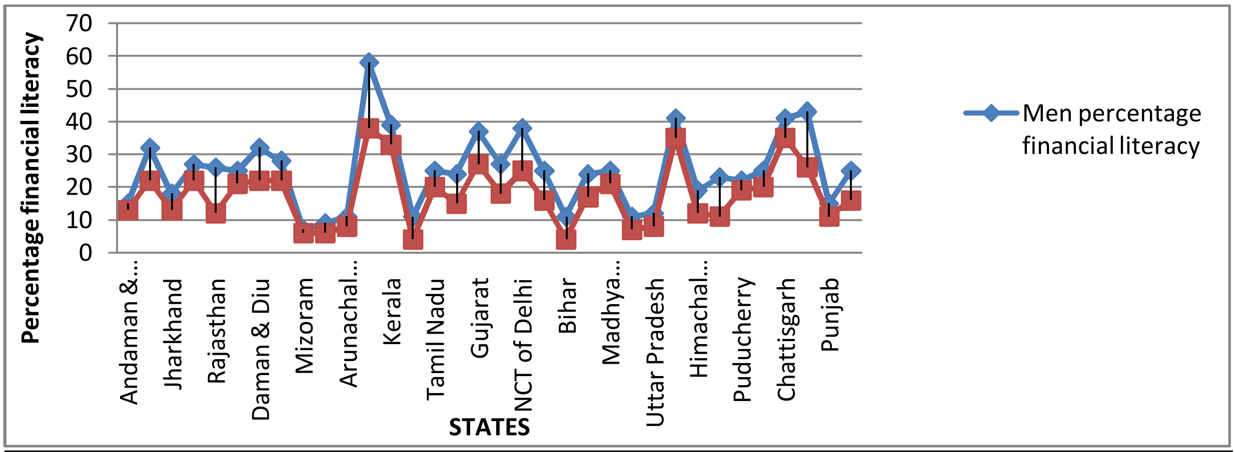
Kerala	39	33	6	36
Karnataka	28	22	6	25
Tamil Nadu	25	20	5	22
Puducherry	22	19	3	21
Lakshadweep	27	18	9	22
EAST ZONE				
Mizoram	7	6	1	6
Nagaland	11	4	7	8
Sikkim	9	6	3	8
Tripura	25	16	9	21
Haryana	24	17	7	21
Odisha	11	7	4	9
Chandigarh	41	35	6	4
Himachal Pradesh	19	12	7	16
Jharkhand	18	13	5	15
Meghalaya	27	22	5	24
Manipur	43	26	17	36
West Bengal	25	16	9	21

Source: Data Compiled from the NCFE Report on financial literacy, 2015

Figure 1: Gender comparison of financial literacy level



Source: Data Compiled from the NCFE Report on financial literacy, 2015

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Table 2: Comparative Study of Financial Literacy Based on Financial Attitude, Behavior & Knowledge of southern states

States	Financial attitude test	Financial Behavioral test	Financial knowledge test
Andhra Pradesh	53.33	67.63	61.00
Karnataka	50.33	64.25	55.63
Tamil Nadu	37.00	69.00	62.38
Kerala	54.33	69.63	70.50
Maharashtra	36.67	72.38	59.50
Lakshadweep	25.33	65.88	40.75

Source: Data Compiled from the NCFE Report on financial literacy, 2015

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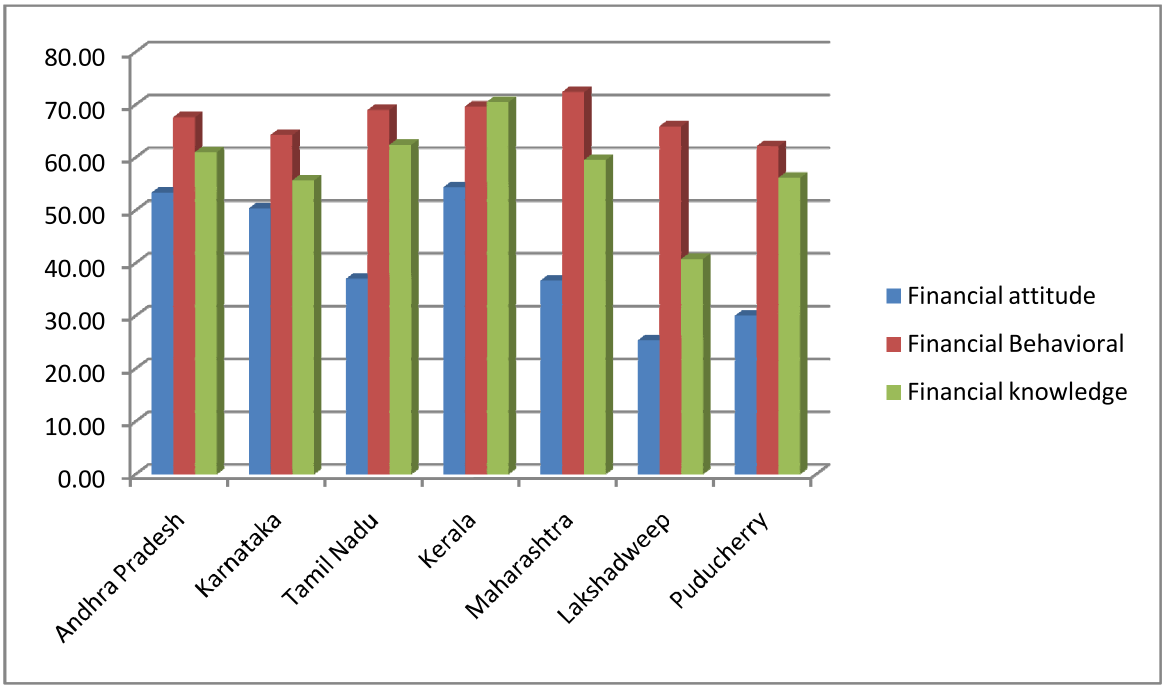

Source: Source: Data Compiled from the NCFE Report on financial literacy, 2015

Table 3: Comparative Study of category-wise financial literacy levels in southern zone states

STATES	*General*	*SC*	*ST*	*OBC*
KERALA	*37*	*36*	*44*	*35*
LAKSHADWEEP	*0*	*0*	*22*	*0*
ANDHRA PRADESH	*30*	*18*	*16*	*20*
PUDUCHERRY	*29*	*19*	*17*	*19*
KARNATAKA	*28*	*13*	*19*	*23*
TAMIL NADU	*21*	*22*	*27*	*23*

Source: Data Compiled from the NCFE Report on financial literacy, 2015

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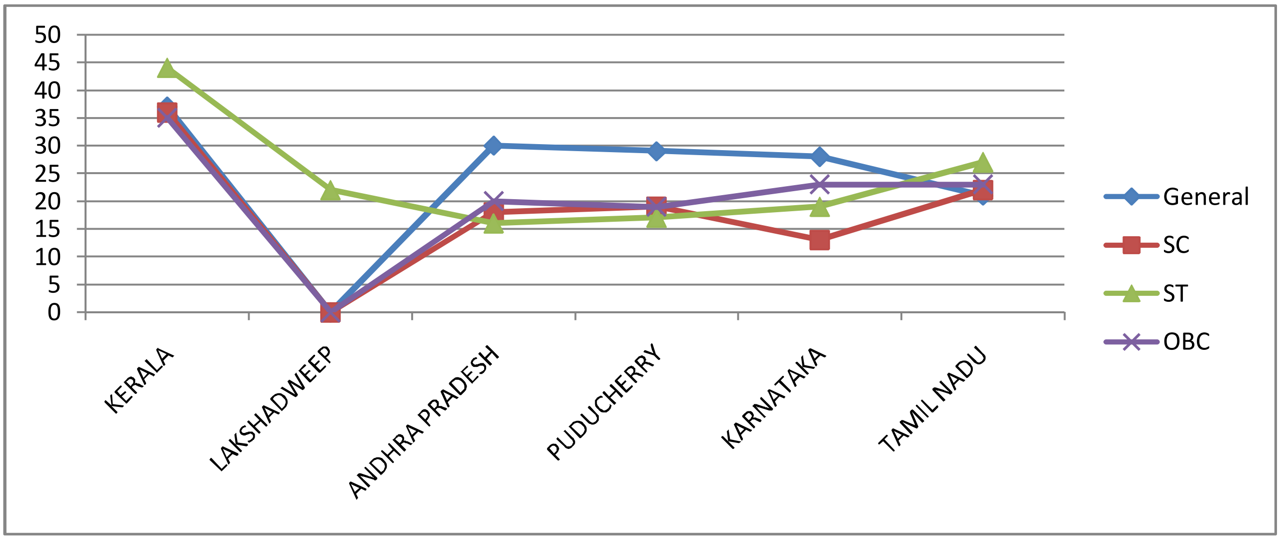

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