

# A STUDY ON FINANCIAL LITERACY AMONG FACULTY MEMBERS OF PRIVATE ENGINEERING COLLEGES IN KHAMMAM DISTRICT

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## **ABSTRACT**

Financial literacy is the one's well knowledge, skill and attitude towards financial issues or matters. It helps to take informed decisions and well-being of an individual. Research has been conducted globally & nationally by several agencies, but most of surveys are thrown light on their poor level of financial literacy. This study focuses on financial literacy among private colleges employees in Khammam district and to inspect how well prepared they are to make financial decisions. An attempt has been made with this study to measure the level of financial literacy of private employees in Khammam district. Findings of the study show that gender, education and income impacts the level of financial literacy. This study may help to progress the level of financial literacy among the private employees in education sector.

**key words:** *Financial literacy, financial decisions.*

## **I. INTRODUCTION**

Financial management is that managerial activity which is concerned with the planning and controlling of individual or institutional financial resources. The concept 'personal financial management' is of immense interest to researchers, academicians and policy formulators in the context of economic crisis and financial inclusion. As in the case of a nation or business institution, finance plays a crucial role in the life of an individual too-either rich or poor. Mobilization of finance and its wise and efficient deployment play a strategic role in the wellbeing of a nation or institution and at the most in the case of a person who is the base or starting point of any economic activity.

A number of definitions of financial literacy exist in the literature. Basically 'financial literacy' refers to the knowledge and understanding of financial concepts there by resulting in the ability to make informed, confident and effective decisions regarding money. Financial literacy can be interpreted broadly or narrowly. In a broader perspective, financial literacy can be stated as "understanding of economics and how economic conditions and circumstances affect household decisions" (Worthington, 2006). A narrow definition of financial literacy focuses on "basic money management tools such as budgeting, saving, investing and insurance" (Natalie, Newton and Chrisman, 2010). It is the narrow view of financial literacy that is particularly relevant to individual decisions concerning financial matters.

A number of studies have used financial literacy interchangeably with other names like financial Capability, financial empowerment, debt literacy, financial knowledge, and economic literacy. Definitions used by major

studies focus on knowledge and ability to make informed judgments to reach an intended outcome such as lifetime financial security and the skills required to realize those outcomes.

***Following are some definitions used by research scholars in selected studies:***

- [1.] “Financial literacy is the ability to make informed judgments and to take effective decisions regarding the use and management of money. Financial literacy is therefore a combination of a person’s skills, knowledge, attitudes and ultimately their behaviors in relation to money” (ANZ Bank, 2011).
- [2.] “Personal financial literacy is the ability to read, analyze, manage and communicate about the personal financial conditions that affect material well being. It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future and respond competently to life events that affect everyday financial decisions, including events in the general economy” (Carol, A. 2000).
- [3.] “Financial knowledge is defined as understanding key financial terms and concepts needed to function daily in society” (Cathy, 2002)
- [4.] “Financial literacy refers to a person’s ability to understand and make use of financial concepts” (Lisa et. al 2008)
- [5.] “Financial literacy is the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being” (Sandra,2010)

## **II. SIGNIFICANCE OF THE STUDY**

Financial literacy and financial wellbeing are mutually related. Financial wellbeing is the ability to have ‘our wealth serve our life’ - to have the financial means to comfortably attain whatever personal goals a person has to enjoy a gratifying lifestyle. Sociological research data indicate that four factors strongly predict happiness and overall well-being in most cultures: health, economic status, employment, and family relationships. Economic status is influenced by financial literacy. People are happier when they are healthy, employed, married or in a committed relationship and at the same time financially secure. Therefore financial capability and financial competence influence a person’s wellbeing. The opportunity accorded to people to engage with the formal financial system and how well they manage the money they have will influence their standard of living and the standard of living of those for whom they are responsible. The financial sector in India has of late evolved in multifarious dimensions affecting the lives of the various strata of the society. With more focus on inclusive growth in the sector, the need for financial literacy was never highlighted so much in the past as it is now. Like never before, researchers, public authorities, community groups, industry associations and international organizations are developing financial education initiatives and want to understand how people can become financially literate or in other words, to have the knowledge, understanding, skills and competence to deal with everyday financial matters and make the right choices for their needs. The reforms introduced in financial markets have reduced the scope of governments and employers in supporting the employees to plan their future financial needs. So, the responsibility of managing and deciding their future financial needs has increased among the private employees. High job insecurity, uncertain income and easy access to consumption credit have a great influence on their financial behaviour. Very less research has been done on financial literacy. A country

like India with high young demographic dividend and socioeconomic diversities should undergo researches in this topic.

### III REVIEW OF LITERATURE

Studies by Marcolin and Abraham (2006); Schuchardt et al., (2008); Remund (2010) and Huston (2010) found that “Despite the rapid growth of interest in and funding for financial literacy and financial education programs, it remains the case that the field of financial literacy has a major obstacle to overcome. Michael (2009) argues that “A lack of financial literacy can hamper the ability of individuals to make well-informed financial decisions. For people who exhibit problems with financial decision making, financial advice has the potential to serve as a substitute for financial knowledge and capability”. Ansong and Gyensare (2012) conducted a study among 250 UG and PG University students of Cape Coast reveals that “the age and work experience are positively related to financial literacy. Also, mother’s education is positively correlated with respondents’ financial literacy. But, level of study, work location, father’s education, access to media and the source of education on money has no influence on financial literacy”. Responsibility of money management lies with parents. Parents are the source of financial information. They are confident about their financial future. Their parents are successful in money management and they take them to be their role models in deciding upon financial matters, Canadian Institute of Chartered Accountants CICA Youth Financial Literacy Study 2011. The level of financial literacy required depends upon the financial needs and behavior of an individual. From the above studies, it is inferred that financial literacy is highly influenced by age, region or country in which the individual resides, the financial environment which he experiences, the level of income, socio demographic factors like his family, number of dependents, mother’s education, financial advice etc. And most of the studies have focused either on college students or adults as a whole. The need to know the level of financial literacy of various groups and especially private employees becomes inevitable.

### IV. METHODOLOGY

**4.1. Purpose of the Study:** For the purpose of the study a survey was conducted amongst private college employees Khammam city.

**4.2. Respondent Selection:** Respondents were selected conveniently. Primary data from the respondents was collected by using a structured questionnaire. A total of 250 respondents constitute a sample for this study. Out of the 250 questionnaires only 218 were duly filled and were used for the study.

To measure the financial literacy level, questions about personal finance were asked from the respondents. The questions were asked in order to measure respondent’s knowledge in the areas of financial numeracy, savings and investments, borrowings, insurance, risk and return. Along with which questions related to financial attitude and behavior were also asked. Total score for each respondent is calculated. The total for each respondent was further converted into their percentage score and financial literacy index is developed.

**4.3. HYPOTHESES OF THE STUDY:**

The following hypotheses are developed:

**H<sub>01</sub>:** There is an association between gender and financial literacy level of private college employees.

**H<sub>02</sub>:** There is an association between age and financial literacy level of private college employees.

**H<sub>03</sub>:** There is an association between education and financial literacy level private college employees.

**H<sub>04</sub>:** There is an association between income and financial literacy level of private college employees.

**H<sub>05</sub>:** There is an association between marital status and financial literacy level of private college employees.

**4.4. DATA ANALYSIS & INTERPRETATION:**

**4.4.1. Demographic and Socio Economic Details of the Respondent:**

**Table – 4.4.1.a.: Demographic and Socioeconomic Details of the Respondent**

S NO	DEMOGRAPHIC FACTOR	NO.OF RESPONDENTS	PERCENTAGE
1	<b>GENDER:</b>		
	MALE	150	68.81
	FEMALE	68	31.19
2	<b>AGE:</b>		
	a) 20-25 yrs	50	22.94
	b) 26-30 yrs	120	55.05
	b) 31-35 yrs	48	22.02
3	<b>EDUCATIONAL QUALIFICATION</b>		
	A)SCHOOLING	15	6.88
	B) DIPLOMA/INTER	30	13.76
	C)GRADUATION	95	43.58
	D)POST GRADUATION	50	22.94
4	<b>MARITAL STATUS</b>		
	MARRIED	174	79.82
	UNMARRIED	44	20.18
5	<b>NO.OF DEPENDENTS</b>		
	A)1	80	36.70
	B)2	120	55.05
	C)3	18	8.26
6	<b>MONTHLY INCOME</b>		
	A)<10000	20	9.17
	B)10001-20000	90	41.28
	C)20001-30000	52	23.85
	D)>30000	56	25.69

Source: Questionnaire

**Inference:** The above table depicts the demographic profile of the respondents. Nearly 68% of the respondents are male. Majority if the respondents fall under the age group of 26-30 yrs. 55% of the respondents have

completed their graduation. Majority of them are married. Most of the respondents have 2 dependent and the respondents who earn Rs. < 10000 are relatively low when compared to other categories.

**4.4.2. Mean and F-Values about Level of Financial Literacy among Faculty Members:**

**TABLE – 4.4.2.a...: Mean & F Values of Financial Literacy Level**

S NO	DEMOGRAPHIC FACTOR	MEAN	F VALUE	SIGNIFICANCE
1	<b>GENDER:</b>		55.07	0.000
	MALE	69.8		
	FEMALE	41.2		
2	<b>AGE:</b>		1.354	0.241
	a) 20-25 yrs	48.9		
	b) 26-30 yrs	49.6		
	b) 31-35 yrs	45.5		
3	<b>EDUCATIONAL QUALIFICATION</b>		12.87	0.002
	A)SCHOOLING	31.1		
	B) DIPLOMA/INTER	42.3		
	C)GRADUATION	48.3		
	D)POST GRADUATION	61.3		
	E)DOCTORATE	15.4		
4	<b>MARITAL STATUS</b>		30.94	0.000
	MARRIED	64.5		
	UNMARRIED	45.2		
5	<b>NO.OF DEPENDENTS</b>		7.9	0.002
	A)1	40.2		
	B)2	53.9		
	C)3	61.9		
6	<b>MONTHLY INCOME</b>		30.51	0.000
	A)<10000	57.5		
	B)10001-20000	47.9		
	C)20001-30000	52.9		
	D)>30000	63.7		

Source: Questionnaire

**V. STATISTICAL INFERENCE:**

**5.1. Association between Education and Financial Literacy Level**

Table 2 shows that financial literacy level is correlated with the level of education. More the education level more is the level of financial literacy. Table 2 shows that financial literacy level is highest for respondents who have PG degree (61.4%) followed by those respondents who have under graduate degree (48.3%). From the table it can be seen that F value is significant- at 5% significance level. Hence  $H_{03}$  - There is no association between education level and financial literacy level is rejected. Thus it can be concluded that financial literacy level depends on the education level.

### **5.2. Association between Income and Financial Literacy Level:**

The results of the Table 2 indicates that more the income, more will the level of financial literacy. Table 2 shows that financial literacy level is highest for respondents having income level above 30,000 (63.7%) per month followed by those who earn between Rs. 20-30 thousand (52.9.06%) per month. From the table it can be seen that F value is significant- at 5% significance level. Hence  $H_{04}$  - There is no association between income and financial literacy level is rejected. Thus it can be concluded that financial literacy level depends on the income of a person.

### **5.3. Association between Marital Status and Financial Literacy Level:**

On the basis of marital status we have divided the respondents into four categories i.e. married, unmarried, separated and widow. But we have respondent from married and unmarried category. Table 2 shows that married employees have higher financial literacy level as compared to unmarried employees. From the table it can be seen that F value is significant- at 5% significance level. Hence  $H_0$  of hypothesis 5-There is no association between marital status and financial literacy level is rejected. Thus it can be said that nature of marital status influences financial literacy level of the respondents.

### **5.4. Association between number of dependents and financial literacy level**

When we look the level of financial literacy with respect to number of dependents, it can be observed that financial literacy is high with the respondents who have 3 dependents. Overall financial literacy level of 50.9% among employees is not very encouraging. Financial literacy level of males is higher than that of females. Financial literacy does not depend on age. From the study we can say that the respondents whose age is less than 30 has high financial literacy than those who fall under the age group of 31-35 yrs. Level of financial literacy is positively related to education and income level i.e. our results indicate that financial literacy level increases with increase in education and income level. The results are statistically significant. The employees who got married are more financially literate as compared to those in unmarried employees and the difference is statistically significant.

## **VI. CONCLUSION**

From the above analysis it can be concluded that overall financial literacy level of 50.90% among all respondents is not encouraging. This shows that in our city people are still not much aware about their finance related issues. Earlier studies have shown that the savings habit among young people is not so high. Likewise the whole burden of planning their future in terms of finance is on the young individuals, as employee benefits are reduced. Early purchased through credit cards have changed the financial behavior of the current generation employees. All this has an impact on their financial position. Need for proper financial literacy and information related to financial matters becomes inevitable. The results of the study suggest that level of financial literacy varies significantly among respondents based on various demographic and socioeconomic factors. It can be concluded that financial literacy level gets affected by gender, education, income, marital status and number of

dependent whereas it does not get affected by age. Overall it can be concluded that financial literacy level is low among employees in our Khammam city and necessary measures should be taken by government to increase awareness about financial related matters.

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