An Analytical Study of the Financial Knowledge and Attitude among the Youth in Bhuj City

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Abstract

Purpose of the study was to know the financial knowledge and attitude among the youth in Bhuj city. For the current research 200 samples have been taken from Bhuj city by convenient sampling method investigated, by questionnaire method. Data calculated by ANOVA technique. Researcher found that the basic level of financial knowledge in particular areas like on numeracy it was highest (81%), on banking (80%), on inflation (61%) while it was medium in on share market (60%), on time value of money (58%) and compound interest (52%) and low in net worth (29%), insurance (20%) and taxes (14%). Overall financial knowledge ratios were showing that 19% of respondents having the high financial knowledge, 49 % respondents having medium and 32 % respondents having low financial knowledge. Looking on Financial attitude 23.86 % respondent were strongly agree with the all statement like, control of financial situation, financial goals, worry to manage finance, uncertain about where to spent money, financial future, afraid of loan, importance of saving money, life insurance, money management and talking about money-related issues, 37.36 % respondent agreed with all the statements, 25.36 % respondents disagreed with all statements while 13.29 % of respondents strongly disagreed with all the statement.

Key Words

Financial Literacy, Financial Attitude, Financial Behavior.

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Introduction

The possession of knowledge and understanding of financial matters, Financial literacy is mainly used in connection with personal finance matters. Financial literacy often entails the knowledge of making decisions properly pertaining to certain personal finance areas like real estate, insurance, investing, saving (especially for college), tax planning and retirement. It also involves intimate knowledge of financial concepts like compound interest, financial planning, the mechanics of a credit card, advantageous savings methods, consumer rights, time value of money, etc. The absence of financial literacy can lead to making poor financial decisions that can have adverse effects on the financial health of an individual. The advantages or disadvantages of a variable or fixed rates are an example of an issue that will be easier to understand if an individual is financially literate.

The Organization for Economic Co-operation and Development (OECD) started an inter-governmental project in 2003 with the objective of providing ways to improve financial education and literacy standards through the development of common financial literacy principles. In March 2008, the OECD launched the International Gateway for Financial Education, which serves as a clearinghouse for financial education programs, information and research worldwide.

Defining Financial Literacy

“Financial literacy is a broad term that has multiple meanings, depending on an individual’s situation. It may mean learning how to create and manage a household budget, learning how to invest money for retirement, or participating in one on one coaching and counseling to determine how to buy a house or start a business. It also is part of an overall strategy to increase economic security for lower-income families. Financial education, just like regarding and writing, affects the well being of every individual. It also affects the economic and social well – being of every community and, ultimately, the overall strength of the nation’s economy”.

- National Council of State Legislatures (NCSL)

Financial literacy is “.....the ability to make informed judgments and to take effective actions regarding the current and future use and management of money. It includes the ability to understand financial choices, plan for the future, spend wisely, and manage the challenges associated with life events such as a job loss, saving for retirement, or paying for a child’s education.”

-The Government Accountability Office (GAO)

“Financial literacy is the ability to understand finance. More specifically, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions through their understanding of finances.”

“Financial literacy is the ability to understand money and how to manage it so that a person can make informed financial decisions”.

Importance of Financial Literacy and Knowledge:

1. More and more, the burden of making sound financial decisions is coming to rest on the shoulders of consumers. Many companies have shifted their retirement plans from traditional pension plans to those requiring employees to participate in, pay part of the cost for, and make investment decisions about.
2. Social Security used to be seen as a major source, if not the major source, of retirement income. Now it serves more like a safety net that will provide enough only for survival, not enjoyment.
3. We are living longer. This means that we must have accumulated more funds before retirement to cover living expenses over a longer time. Otherwise, we could become a burden for our families.
4. The financial environment seems like it is changing faster. Bull markets bear markets, rising interest rates, falling interest rates, and the increased number of finance-related articles with conflicting views in the press can make creating and following a financial path difficult.
5. There are more financial options. Hundreds of credit card options, several types of mortgages, different types of IRAs, and the ever-growing number of investment options further complicate financial decision making.

Review of Literature:

Bharatsing Thapa and Surendraraj Nepali (2015) studied Financial Literacy in Nepal: A Survey Analysis from College Students and conducted survey of 436 college students to examine their financial literacy; the impact of demographic, educational and personality characteristics on financial literacy. Mean, ANOVA and logistic regression were used in carrying out analysis. Results show that most of the students have a basic level of financial knowledge but they lack an understanding of credit, taxes, share market, financial statement, and insurance. Students are highly influenced by their parents at home and they have a positive attitude towards savings.

A research article was published by (HUSTON, 2010) (MasudJariah, 24 January 2014) (Thomas, 2014) (Bhushan, May 2014) (Bhushan, May 2014) Dr. J. Gajendra Naidu in the year October 2010. Entitled “Financial Literacy in India: A Review of Literature” After studying this paper researcher concludes that, the low level of financial literacy prevents individuals from making the right choices regarding financial decisions. To achieve the objectives, an individual must invest his/her savings in right investment alternatives. The objective of the study is to study the level of financial literacy in India by using literature-based analysis. Secondary data collected from various websites, journals, research papers and articles. It is found that financial literacy in India is very low and necessitates exertion to mend level of literacy.

A research paper was published by Daniel Fernandes, John G. Lynch, Richard G. Netemeyer in the year January 2014. Entitled “Financial Literacy, Financial Education and Downstream Financial Behaviors” After studying this paper researcher concluded that, Conduct a meta-analysis of the relationship of financial literacy and of financial education to financial behaviors in 168 papers covering 201 prior studies. The researcher found that interventions to improve financial literacy explain only 0.1% of the variance in financial behaviors studied, with weaker effects in low-income samples. Like other education, financial education decays over time; even large interventions with many hours of instruction have negligible effects on behavior 20 months or more from the time of intervention. Correlation studies that measure financial literacy find stronger associations with financial behaviors. The researcher conducted three empirical studies and found that the partial effects of financial literacy. Financial education as studied to date has serious limitations that have been masked by the apparently larger effects in correlation studies. Researcher envisages a reduced role for financial education that is not elaborated or acted upon soon afterward.

A research article was published by Sandra j. Huston in the year June 2010. Entitled “Measuring Financial Literacy” After studying this paper researcher concludes that, financial literacy (or financial knowledge) is typically an input to model the need for financial education and explain variation in financial outcomes. Defining and appropriately measuring financial literacy is essential to understand educational impact as well as barriers to effective financial choice. This article summarizes the broad range of financial literacy measures used in research over the last decade. An overview of the meaning and measurement of financial literacy is presented to highlight current limitations and assist researchers in establishing standardized, commonly accepted financial literacy instruments.

A research article was published by Jariah Masud, A.R. Husniyah, and P. Laily, Sonya Britt in the year January 2014. Entitled “Financial behavior and problems among university students: Need for financial education” After studying this paper researcher conclude that, Many students rely on loans to get them through college. Yet, sometimes students borrow too much money while in school. Excess loan money leads to debt that students must pay back after graduation delaying other financial goals.

A research article was published by Puneet Bhushan in the year May 2014. Entitled "Relationship between Financial Literacy and Investment Behavior of Salaried Individuals" After studying this paper researcher concluded that, Financial literacy of individuals is their level of understanding of financial matters which enables them to process financial information and make informed decisions about personal finance. Financially literate individuals can make effective use of these financial products and services by evaluating associated risks and returns and finally choosing those products which are best suited to them.

A paper published by Sobhesh Kumar Agarwalla, Samir K. Barua Joshy Jacob, and Jayanth R. Varma in October 2013. Entitled "Financial literacy among working young in urban india" After studying this paper researcher concluded that, The paper reports investigation of a study on the influence of various socio-demographic factors on different dimensions of financial literacy among the working young in urban India. While the influence of several factors such as gender, education and income is similar to what has been reported in other contexts, a few factors specific to India, such as joint-family and consultative decision making process are found to significantly influence financial literacy.

Research Methodology

This study conducted for following objectives.

1) To understand the concept of financial literacy.
2) To determine the level of financial knowledge of the youth.
3) To determine the financial attitude of the youth.
4) To make suggestions for improvement of financial literacy and knowledge among the youth.

This research work is based on the survey method. The main source of data was collected from primary data.

Since the study is analytical and empirical in nature, it is based both on primary and secondary data. The Primary data were collected by the researcher through a well-designed, structured and comprehensive questionnaire developed by the researcher in view of the theoretical literature and existing research findings as also the objectives of the research study. The questionnaire is divided into two parts. The first part covers the socio-demographic variable of the gender, age, marital status, nature of employment (Occupation), income, family's annual income and yearly saving of the respondent. The second part measures financial knowledge.

Analysis and Interpretation

Table 1:
Frequency and Percentage of Components of Financial Knowledge

CONCEPTS	FREQUENCY	PERCENTAGE
Numeracy	162	81
Compound Interest Rate	104	52
Inflation	122	61
Time Value of Money	116	58
Net Worth	58	29
Share Market	120	60
Banking	160	80
Insurance	40	20
Taxes	28	14

Source: - Computed from the questionnaire

Respondents were asked 9 questions, from basic to advance level of finance covering numeracy, inflation, compound interest, time value of money, financial statement, share market, banking, insurance, taxes and credit, and finding is presented in table 4.8. Also table 4.8 describe most of the respondents (81%) correctly answered the question regarding numeracy followed by banking (80%), inflation (61%), share market (60%) and time value of money (58%) while very few respondents were familiar with taxes (14%), net worth (29%) and insurance (20%) .Thus, youth have a high level of knowledge on numeracy, banking while it is medium in inflation and share market, and low in insurance, taxes, and net worth.

Table 2
Mean and Standard Deviation of Percentage Correct Answers According to Level of Financial Literacy

	Basic	Advance	Overall
Mean	63	40.6	51.80
SD	12.57	28.26	20.42

Above table shows the overall financial knowledge was divided into basic and advance categories. Basic financial literacy index was constructed by numeracy, compound interest rate, inflation, time value of money and advance financial literacy index was developed by constituting questions related to net worth, share market, insurance, banking, taxes and moreover above table shows the mean percentage score of basic category is 63 while in advance it is only 40.60 and overall mean score is 51.80.

Table 3

Statement wise classification of respondent according to the financial attitude

4 point Scale	VARIES STATEMENT												
	1	2	3	4	5	6	7	8	9	10	11	No. of Respondent	%
Strongly Agree (4)	52	48	18	22	30	52	20	116	102	38	30	528	24.00
Agree (3)	92	92	64	44	92	86	88	46	64	80	74	822	37.36
Disagree(2)	46	54	66	62	52	42	44	28	20	68	76	558	25.36
Strongly Disagree (1)	10	6	52	72	26	20	48	10	14	14	20	292	13.28
Total	200	200	200	200	200	200	200	200	200	200	200	2000	100

Source: - Computed from the questionnaire

Table 3 depicting varies statement wise classification of respondents according to the financial attitude in the youth.

1) I feel in control of my financial situation:- Out of 200 respondents 52 respondents strongly agree with the financial situation is controllable and 92 respondents agree, 56 respondents disagree and 10 respondents are strongly disagree with the financial situation is controllable.

2) I feel capable of using my future income to achieve my financial goals:- Out of 200 respondents 48 respondents strongly agree with the achieving financial goals and 92 respondents agree, 54 respondents disagree and 6 respondents strongly disagree with the achieving future financial goal.

3) I worry to manage my finance:- Out of 200 respondent 18 respondents strongly agree with the worry about managing a finance and 64 respondents agree, 66 respondents disagree and 52 respondents strongly disagree with the worry about managing a finance.

4) I am uncertain about where my money is spent:- Out of 200 respondents, 22 respondents strongly agree with the uncertain about where his money is spent and 44 respondents are agree, 62 respondents are disagree and 72 respondent are strongly disagree with the worry about managing a finance.

5) I feel credit cards are safe and risk free:- Out of 200 respondents, 30 respondents are strongly agree with the credit card is safe/risk free and 92 respondent agree, 52 respondent are disagree and 36 respondents are strongly disagree with the credit card is safe/risk free.

6) I feel capable of handling my financial future (e.g. buying insurance):- Out of 200 respondent, 52 respondents strongly agree with the capable of handling financial future

and 86 respondents agree, 42 respondent disagree and 20 respondents strongly disagree with the capable of handling financial future.

7) I am afraid of loan:- Out of 200 respondents, 20 respondents strongly agree with the afraid of loan and 88 respondents agree, 44 respondents disagree and 48 respondents strongly disagree with the afraid of a loan.

8) I give importance to saving money from my monthly income:- Out of 200 respondents, 116 respondents strongly agree with the giving a importance to saving money and 46 respondents agree, 28 respondents disagree and 10 respondents strongly disagree with the giving a importance to saving a money.

9) I feel having life insurance is an important way to protect loved ones:- Out of 200 respondents, 102 respondents strongly agree with the life insurance is important and 64 respondents agree, 20 respondents disagree and 14 respondents strongly disagree with the life insurance is important.

10) I enjoy thinking about and have interest in reading about money management:- Out of 200 respondents, 38 respondents strongly agree with the thinking about money management and 80 respondents agree, 68 respondents disagree and 14 respondents strongly disagree with the thinking about money management.

11) I enjoy talking to my peers about money related issues (i.e. taxes):- Out of 200 respondents, 30 respondents strongly agree with the talking about money related issues and 74 respondents agree, 76 respondents disagree and 10 respondents strongly disagree with the talking about money related issues.

General Information about Hypothesis Testing and Analysis

The analysis is completely based on primary information given by respondent according to the sample design. The researcher sent questionnaires to 200 respondents, who belong to Bhuj city. According to the answers of respondents, analysis of opinions of are as follows.

1) Financial Attitude:-

To analyze the opinions of the respondents, the researcher has taken two bases.

1) Basic financial knowledge: - Basic financial knowledge constitutes first four financial questions like numeracy, compound interest rate, inflation and time value of money.

2) Advance financial knowledge: - advance financial knowledge constitute last five question lick net worth, share market, banking, insurance, taxation.

Table: - 4

Mean of Financial Attitude According to the Level of Youth Financial Knowledge

Source	Basic Knowledgeable	Advance Knowledgeable	Overall
	Mean	Mean	Mean
Strongly Agree	19.36	28.36	23.86
Agree	36.72	38	37.36
Disagree	29.82	20.9	25.36
Strongly Disagree	13.83	12.74	13.29

Source: - Computed from the questionnaire

Table 4 is showing the means of financial attitude according tothe level of financial knowledge. In witch out of 200 respondents overall 23.86% respondent Strongly agree with the all statement, 37.36 % respondents agree with the all statement, 25.36 % respondents disagree with all statement and 13.29% respondents strongly disagree with the all statement.

Hypotheses testing:-

Ho: There is no significant difference between Basic financial knowledge and Advance financial knowledge of youth on various issues related to financial attitude.

OR

H0: Financial knowledge has no influence onthe financial attitude of youth.

H1: There isa significant difference between Basic financial knowledge and Advance financial knowledge of youth on various issues related to financial Attitude.

Table 5

Analysis of ANOVA according to respondent responses on various Issues

Source of Variation	SS	D.F.	MS	F-ratio	F - limit
SS Between Rows	0.0091	1	0.009119	0.0097	5.9873
SS between Columns	664.56	6	110.7591		
Total	664.56	7			

Source: - Computed from the questionnaire

The above Table 5 shows that the calculated value of F is 0.0097 which is less than the table value of 5.9873 at 5 percent level of significance (F_c = 0.0097 < F_t = 5.9873). So the null hypothesis is accepted.

This analysis supports the Null hypothesis, it may therefore; conclude that the defiance in basic and advance financial attitude due to financial knowledge is insignificant.

Conclusion

The findings of the study suggest that the level of the financial knowledge is not very high among the youth. There is a lack of understanding among youth in areas of compound interest rate, net worth, insurance and taxes most decision related to personal finance involve these concept, their limited understanding is a cause of concern.

Majority of the samples are nearly 86 % found to be good financial attitude and researcher concluded that 85.75 % of respondents know that how to manage their finance and 14.25 % of respondents are not aware about how to manage finance.

Good financial literacy skills help individuals and families make the most of opportunities, meet their goals and secure their financial wellbeing and it's essential for social inclusion.

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