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Study Of Factors Determining Level Of Financial Literacy And Its Management Amongst Investors In Ahmedabad

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Abstract

Financial Literacy has become a priority area across the world in recent years. In a complex and globalized marketplace, a myriad of products is offered in the financial market, and the accessibility of products has also increased. This has made it imperative for individuals to be well equipped with the necessary financial knowledge and awareness to use their financial resources in an optimum way. The study examines the financial literacy of the people by using a questionnaire developed by self-validated scales of determinants of financial literacy. The major findings of the data interpretation and analysis reveals that there are major six determinants that has very strong influence on level of financial literacy. The present study offers the first ever comprehensive insight into the financial literacy of the Ahmedabad region

Keywords: Financial Attitude, Financial Behaviour, Financial Knowledge, Financial

Literacy, Financial Planning.

1. Introduction

In today's financial world, the importance of financial education is recognized globally as a key factor in the financial well-being of individuals and the financial stability of the country, and today consumers are entering the risky markets they face. Various financial products and services. The embarrassing choice of these products and clever advertising often deceive consumers and prevent them from understanding the fine print of complex information and the downside risks associated with it. Technological innovations make things even more complicated. It has led to the explosion of new products, which increases the household's responsibility and risk in making financial decisions. Financial consumers need to have basic financial knowledge and skills to help them navigate and select a complex range of products and services.

It best suits their needs and resources. The complexity, exposure to advanced financial technologies such as mobile and online payments, increased personal financial responsibility due to the transition from a defined pension plan to a contribution plan, and concerns over retirement plans and health care needs make it essential to understand financial concepts. is. Make smart decisions about financial transactions. financial literacy improves household knowledge and builds trust to help you manage financial problems towards a safe financial future.

We know inflation well and risk diversification tends to make more plans for retirement (Lusardi & Mitchell, 2009; Hastings & Mitchell, 2011; Lusardi & Mitchell, 2011). The findings of a study by Klapper and Panos (2011) show that financial information is well-suited and is linked to retirement planning. The resulting financial awareness and ethical behavior leads to adverse financial consequences that have a negative impact on a person's financial well-being. Lack of knowledge of key economic concepts and skills causes people to fall into lower financial decisions (Hastings & Mitchell, 2011). People with little financial experience hold negative views on financial concepts, and, as a result, make poor financial decisions (Chen & Volpe, 1998) They participate less in the stock market (Rooij, Lusardi, & Alessie, 2007), have better credit practices, accumulate less wealth without good retirement plans (Lusardi, 2008; Lusardi & Mitchell, 2008; 2009); and they are more likely to enter into more expensive transactions (Lucardi & Tufano, 2009) in terms of financial literacy partners. The protection of financial consumers also requires financial knowledge as it makes people aware of the risks involved in financial products and manages their high interest rates.

2. Literature review

Gupta et al. (2014), assessed financial literacy of 87 Kangra County Micro-entrepreneurs of Himalaya Pradesh based on record keeping, different institutional perceptions, savings, investment plans, Savings management and various loan products. on bank loans, little awareness of other financial institutions. Overall low financial skills, reflected in poor recordkeeping, poor cash management, improper savings habits, and less awareness of financial products.

Bahadur (2015), analyzed two pillars of the economy: financial understanding and financial inclusion and its current perspectives as well as people's perspectives about financial instruments. It is found that the level of financial literacy was very low and recommended a financial incentive. Fluency at school level, national programs and effort through the grassroots level.

K N Narendra (2014), discussed the role of a Financial Planner in the age of information overload to educate and launch revolution in India.

Sumit Agarwal et al. (2010), we surveyed 1,694 Hyderabad respondents interested in personal finance on their investment behavior, liability choices, risk tolerance and insurance usage. Data for analysis provided by Investment Yogi Financial Advisory Services.

Paluri (2016) analyzed the factors that influence the economic attitude of Indian women and categorized Indian women based on their attitude. Nine Variables: Anxiety, Interest in Financial Issues, Intuitive Decisions, Preventive Savings, Free Spending, Material and Deadly Attitudes, Trend Studies in Planning Long-Term and Short-Term Financial Goals, Women in Nasik We used confirmatory factor analysis to cluster the. Cluster analysis categorized customers into wise consumers, conservative consumers, favorable consumers, and uncertain consumers. Only one-third of the respondents did not buy financial products, and the most preferred products were time deposits and insurance. We also found that cluster 1 and cluster 3 were more attractive in that order. Marketer, Cluster 4 is not attractive.

Mathavathani etal。 (2014), focused on the financial literacy of rural women in Tamil Nadu based on three factors: knowledge, behavior and attitude (2013) conducted a survey of 516 office workers in Himachal Pradesh using multi-step sampling to check financial literacy levels. We found that the overall level of literacy was low and that men had higher levels of financial literacy than women. Education, Income, Natural Levels Employment and workplaces affect financial literacy, while geographic regions do not affect financial literacy

Jariwala (2014) considers 44 variables in India We evaluated the level of financial literacy of individual investors in Gujarat and their impact on investment decisions. The survey found that 39.2% of 285 respondents had high levels of financial literacy, and that financial literacy had a statistically significant impact on investment decisions.

Agarwal, et al. (2015) focuses on the importance of financial literacy in managing the financial and investment patterns of educated and uneducated female staff (20 educated and 20 uneducated female staff) in the education sector of the Jhansi district. I have put it. Recognizing Investment Avenue, we invest our savings in time deposits at banks and post offices.

Leora, Lusardi and Panos (2011) said that the emerging market experiencing a financial crisis had promoted the study to examine the association with both financial and real consequences on financial literacy. It was found that financial literacy is significantly related to greater participation in formal financial markets and negatively related to the use of informal sources of borrowing. Individuals with higher financial literacy are also significantly more likely to report greater unspent income and less likely to report lower levels of spending. The relationship between financial literacy and the level of unspent income is higher during the financial crisis, after controlling for household characteristics. Results suggest that greater financial literacy can also help individuals face unexpected macroeconomic and income shocks.

Zanvar and Bhola (2016) found that the Indian investor's behaviour has been changing drastically in the post- economic reforms era in investment activity, preferences in selecting various financial instruments, evaluating and in analyzing the investment avenues. Data was collected from 770 peoples from different Socio Economic Classes in Pune. Conclusions drawn from the paper show that Individual investor is backed by benefits and money. They still prefer to invest in financial products which give risk free returns. Indian investors even if they are of high income, well educated, salaried and independent are more conservative and play safe in the market. Therefore, in order to increase awareness among the individual investors, financial regulators should organize various seminars, programs and sessions to boost their confidence.

Bonga and Mlambo (2016) have highlighted their focus about improving women's financial literacy, particularly in developing countries. The study suggest that the financial literacy in early age can result in to long-term behaviour change amongst women. In order to progress in the level of individual financial literacy, the respective authorities should stress upon developing positive financial behaviour and attitudes in addition to financial literacy.

Hasler and Lusardi (2017) have measured financial literacy by performing research on basic knowledge-related questions like wise, arithmetic (interest), compound interest, inflation, and risk diversification. Howlettet al. (2008) found that people with financial literacy are better number cruncher or have good numerical abilities.

Jain (2018) researched that women's financial literacy is very low about instruments such as debit cards, credit cards, FPP, mutual funds, stocks and other investment options, which has resulted in lower financial literacy.

3. Research Objectives

1) To identify major determinants of the Financial Literacy
2) To evaluate impact of the various determinants on level of financial literacy
3) To Study nature and intensity of the relationship between Financial Literacy and other independent determinants.

4. Research Hypothesis

H0: There is no significant influence of all the determinants on level of financial literacy

H1: There is significant influence of all the determinants on level of financial literacy.

5) Research Methodology

Research Design: Descriptive and Causal Design

Contact Method: Personal Interview survey

Sample Size: 520

Sampling Method: Non Probability convenience sampling

Research Instrument: 5 Point Liker Scale Questionnaire

6) Data Analysis and Interpretation

In the next part of the study carry forward same hypothesis using multiple regression. All six factors are inserted as independent variables combined and Financial Literacy inserted as the dependent variable. Mean score was taken as the representative value for that particular variable.

Person correlation was performed first to make base for the multiple regression. Table provides the Coefficient of relation between all independent variables and dependent variable.

Table 1 correlation for multiple regressions

Correlation							
	Financial Literacy	Financial Attitude	Financial Behaviour	Financial Awareness	Financial Influence	Financial Aptitude	Financial Knowledge
Financial Literacy	1.000	.722	.587	.728	.641	.756	.700
Financial Attitude	.722	1.000	.386	.349	.576	.507	.646
Financial Behaviour	.587	.386	1.000	.343	.446	.493	.449
Financial Awareness	.728	.349	.343	1.000	.437	.517	.336
Financial Influence	.641	.576	.446	.437	1.000	.263	.405
Financial Aptitude	.756	.507	.493	.517	.263	1.000	.655
Financial Knowledge	.700	.646	.449	.336	.405	.655	1.000
N= 520, All Correlation are statistically significant at 5% level of significant							

Coefficient of correlation was positive for all the variables and varied between 0.263 to 0.722. All coefficient of correlation were statistically significant at 5% level of the significant. It proves that there is very good relationship amongst all the determinants. Correlation summary provides the good base for the multiple regressions.

The model summary of Financial Literacy and all six explored variables is given in Table and it shows the coefficient of determination (R^2) under model which is 0.897, which meant all six factors combine explained 89.7 percent of the variations in Financial Literacy. Value of 0.897 is really very positive and establishes very strong relationship between all the independent variables and dependent variables

Table 2 Model summary for multiple regressions

Model Summary[b]									
					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.947[a]	.897	.896	.24958	.897	744.308	6	513	.000
a. Predictors: (Constant), Financial Knowledge, Financial Awareness, Financial Behaviour, Financial Influence, Financial Attitude, Financial Aptitude									
b. Dependent Variable: Financial Literacy									

Table 3 ANOVA for multiple regressions

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	278.181	6	46.363	744.308	.000[b]
	Residual	31.955	513	.062		
	Total	310.136	519			
a. Dependent Variable: Financial Literacy						
b. Predictors: (Constant), Financial Knowledge, Financial Awareness, Financial Behaviour, Financial Influence, Financial Attitude, Financial Aptitude						

Table 4 Coefficients of Multiple Regression

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.125	.065		-1.933	.054		
	Financial Attitude	.202	.019	.228	10.796	.000	.449	2.227
	Financial Behaviour	.100	.017	.102	5.773	.000	.643	1.556
	Financial Awareness	.291	.015	.346	19.248	.000	.622	1.609
	Financial Influence	.123	.013	.185	9.373	.000	.516	1.938
	Financial Aptitude	.203	.017	.271	12.194	.000	.406	2.464
	Financial Knowledge	.118	.019	.138	6.367	.000	.426	2.346
a. Dependent Variable: Financial Literacy								

The ANOVA Table is used to assess the overall significance of the regression model. In Table, the F-value (744.308) and the p-value is 0.000. This meant that model is significant as p-values less than 0.05 at $\alpha = 0.05$ level. It further said that explored six variables significantly contribute in the variation of the Financial Literacy.

Further Table provides the coefficient of the model. According to the table it can be said that all explored factors is significantly influence on the Financial Literacy. All factors are statistically significant as the p value of all the factors are less than 0.05. Among all the factors Financial Awareness, Financial Aptitude and Financial Attitude are mainly contributors which influence mostly in the Financial Literacy. Other factors are also statistically significant but the intensity of the influence is low compare to other factors.

7. Findings

All factors are statistically significant as the p value of all the factors are less than 0.05. Among all the factors Financial Influence, Financial Knowledge and Financial Attitude are mainly contributors which influence mostly in the Financial Literacy. Other factors are also statistically significant but the intensity of the influence is low compare to other factors. Model can be written as:

Financial Literacy = -.125 + .202 (Financial Attitude) + .100 (Financial Behaviour) + .291 (Financial Influence) + .123 (Financial Awareness) + .203 (Financial Knowledge) + .118 (Financial Aptitude)

8. Conclusion

From the above Discussion, it can be said that there is strong influence of Financial Influence and Financial Knowledge on Financial Literacy followed by other factors like Financial attitude, financial awareness and financial behaviour. So, banks and financial institutions should focus more on developing promotional programs that involves financial literacy ambassadors and influencers. Workshops and seminars that enhances financial knowledge and financial attitude also plays very significant role in developing financial literacy.

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