A STUDY ON LEVEL OF FINANCIAL LITERACY AMONG YOUNG EMPLOYEES OF PRIVATE SECTOR IN JAIPUR CITY

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ABSTRACT
The purpose of this paper is to assess the level of financial literacy among the young employees in Jaipur city. The paper would use data from both desk research and the primary data, which would be collected by interviewing the respondents with the help of the validated questionnaire. The study would result in the level of financial literacy among the youth employees, the determinants of their financial literacy, the sources of financial matters, the challenges they meet and their attitude and behaviour in obtaining their financial goals and objectives during the pre determined time framework. The study would focus on the determination of the prevailing gap in level of financial literacy and would suggest possible measures to be undertaken to overcome it.

Key Words: Financial Literacy, GAP, Youth Employees, Attitude, Behaviour

INTRODUCTION
Financial literacy is a big challenge faced by all countries globally. Financial literacy is the mix of one’s knowledge, skill and attitude towards financial planning. It helps to make informed decisions and well being of an individual. In today’s world which has a market with complicated products, the need for financial literacy and planning becomes inevitable. Country like India which has high young population, the government is in a position to increase the level of financial literacy. The government and other private institutions have taken steps through financial literacy and education programs. Now financial education is included in the school and university level also in their formal curriculum also. Financial literacy goes beyond the provision of financial information and advice. It is the ability to know, monitor, and effectively use financial resources to enhance the well-being and economic security of an individual, his family, and his business. As per the definition given by OECD which defines financial literacy as “A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well being.” Financial knowledge is the understanding of interest calculations, relationship between inflation and return, inflation and prices, risk and return, and the role of diversification in risk reduction. The financial behaviour assesses how the individual deals with money. It includes prompt payment of bills, framing proper planned budgets and monitoring it, continuous saving habits etc... Financial attitude influences the behaviour of the individual. Financial attitude is the opinion of the individual about the belief in planning with regard to money, their propensity to save and consume both. So, the combination of financial knowledge, attitude and behaviour determines the level of financial literacy of an individual. Financial literacy is mainly concerned with better planning of retirement life, gradual wealth accumulation and better financial decision making. So to be financially literate becomes important from the initial stages of one’s career. But due to some personal or professional problems most of youth become financially illiterate. This leaves them with inadequate knowledge about financial matters, inappropriate decisions etc., So, they have to be enhanced with financial knowledge and tools which are needed to make informed decisions. Financial literacy impacts the promotion of financial inclusion which ultimately results in financial stability of any economy. The need for financial literacy in India has gained importance because of low level of literacy and large section of population which is financially excluded from the formal financial.
set up. Research has been conducted globally for measuring the level of financial literacy. And also financial literacy survey has been conducted at country level by the governments. Most of the surveys have thrown light on their poor level of financial literacy. This study focuses on financial literacy among young employees of private sector and to examine how well-equipped they are to make financial decisions. The research also concentrates on their sources, their knowledge and the challenges faced by them in financial matters.

**NEED FOR THE STUDY**

Financial literacy is a global concern. Complicated financial products, less level of awareness and lack of knowledge about financial matters make the want of financial literacy significant. The level of financial literacy differs from individual to individual. Gender gap also plays an important role is deciding the level of financial literacy. A working woman’s decision or relationship with money is often determined by her personal life experience. Emotion, money and family are interlinked in the life of a woman. Lack of ready access of reliable information to make informed decision leads to low level of confidence and knowledge about financial planning. Life changes like new employment, divorce or separation, death of the partner are some of the stressful stimulators in an individual’s life.

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 young private sector employees of Jaipur city. 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 socio-economic diversities should undergo researches in this topic. So, this research work focuses on measuring the financial literacy and awareness among young private sector employees in Jaipur city.

**OBJECTIVES**

The basic objectives of the study includes:

1. Determine the level of financial knowledge of the young private sector employees of Jaipur city.
2. To analyse the money management skills possessed by young employees.
3. To understand the challenges and financial goals of youth with regard to financial matters.
4. To measure the level of financial literacy of young employees

**LITERATURE REVIEW**

**Financial Literacy in India**

Various surveys show that the level of financial literacy of Indians is low. Our government and other agencies have taken various steps to overcome the gap. The following are some of the initiatives taken by the various research agencies of government:
Inclusion of Financial literacy in School curriculum

658 Financial literacy centres are operating all over India to spread financial literacy.

SEBI initiated nationwide campaign to spread financial education to various target segments such as students in schools and universities, working executives, home makers, retired personnel, self-help groups, etc.

Seminars on various aspects like savings, investment, financial planning, banking, insurance, retirement planning, etc..

Essentials of Investing: A set of 11 booklets

Increased variety of products and the instability of the global economy in twenty first century caused increasing complexity of financial decisions and also caused consumers faced with the challenge in economic and financial activities. For this reason, in the last decade, the importance of financial management skills in personal and work life has increased and researches in this area has been done.

The following section gives the general studies made related to financial literacy. 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: the lack of a widely disseminated measure of financial literacy, developed through rigorous psychometric analyses. 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.

Agarwalla Sobhesh Kumar, Barua Samir, Jacob Joshy, Jayanth R. Varma (2012) conducted a study among 3000 individuals, and found that financial knowledge among Indians is very low than the International standards. But the financial behaviour and attitude of the employees and retired seems to be positive. The financial knowledge among the women are marginally high than the men. Greater access to consumption credits has influenced the financial behaviour of young employees. Financial literacy was examined among wave11 individuals which showed that the financial literacy is low and fewer than one third of the young adult possess the basic knowledge of interest rates, inflation and risk Diversification. Financial literacy was strongly related to socio demographic characteristics and family financial sophistication. Specifically, a college educated male whose parents had stocks and retirement savings was about 45 percentage points more likely to know about risk diversification than a female with less than a high school education whose parents were not wealthy (Lusardi, Mitchell and Curto 2006).

Sages and Grable, (2009) in their study found that the individuals who has the lowest level of financial risk tolerance is the least competent in terms of financial matters, have the lowest subjective evaluation of net worth and are less satisfied with their financial management skills. The level of financial risk tolerance of the individuals determines the financial behaviour. 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.

Mandell (2008) made a survey among college students in 2008, Mandell calculated average accuracy rate of the questions on financial literacy by their major. From the result, the average of all respondents is 61.9%. Although the accuracy rate of Business or Economics major is 62.4% and is higher than overall average, its rate is lower than Engineering (63.2%), Science (64.0%), and Social Science (64.0%). In addition, Koshal et al. (2008) reported that the difference between Indian MBA students’ grades does not show a statistically significant effect on economic literacy score. Study by Martin Samy (2007) revealed that determinants of
credit card are significantly dependent on a student’s year of study, credit card status and daily routine, which has a strong relevance to respondents’ knowledge of credit cards. 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. Study by Mwangi (2012) found that financial literacy remains low in Kenya.

The results indicate that households’ access to financial services is not based on levels of financial literacy but rather on factors such as income levels, distance from banks, age, marital status, gender, household size and level of education. However, the study established that the probability of a financially illiterate person remaining financially excluded. The study recommends the development of a curriculum on financial education and administers it in local, middle level and higher learning institutions. Study by Marzieh et al., (2013) revealed that the age and education are positively correlated with financial literacy and financial wellbeing. Married people and men are more financially literate. Higher financial literacy leads to greater financial wellbeing and less financial concerns. Finally, financial wellbeing leads to less financial concern.

Major Finding from the Reviews collected

An individual is said to be financially literate if he/she is able to perform the following:

- **Financial knowledge and understanding**: The individual should be aware of the products available in the market. Should possess adequate knowledge about the basics of the products, the related concepts, consumer rights of such products and its use.

- **Choosing appropriate products**: Should be able compare similar products and choose the product which suits their requirement. Financial knowledge about the various products would enable this.

- **Financial Planning**: The intensity to save and plan for their retirement life should be clear. Investing in proper avenues or saving through various investment plans shows their attitude and behaviour towards financial matters. The studies listed above shows that the financial attitude and behaviour is highly influenced by financial knowledge possessed by an individual.

- **Day to day money management**: Financial literacy helps an individual to have control over his financial matters. It enables an individual to frame appropriate budgets which in turn helps them to track his finances and meet the ends.

Financial literacy is a global concern. The level of financial literacy required depends upon the financial needs and behaviour 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, fathers education, financial advice etc. The need to know the level of financial literacy of various groups is inevitable. This study focuses on measuring the level of financial literacy among young private sector employees in Jaipur City.

**METHODOLOGY**

**Research Design**: Descriptive research design will be done. Survey method will be followed.

**Source of Data**: Data required for the study will be obtained from both primary and secondary sources.

**Instrument Development and Validation**: Questionnaire to be prepared based on existing literature on the
components of Financial Literacy. Questionnaire will be used to collect data from the respondents. Sample
Description: The sampling unit will be young private sector employees in the age group of 20 to 35 year in
Jaipur City.

Research questions:

RQ1. Is there a relationship between education and the level of financial literacy?

RQ2. Is there an association between gender and financial literacy?

RQ3. Are young employees knowledgeable about common financial terms?

RQ4. What are the determinants of financial literacy among young private sector employees?

RQ5. What are the attitudes of young employees towards financial matters?

RQ6. What is the level of money management behaviour among young employees?

RQ7. What is the overall level of financial literacy among young employees in Jaipur City?

LIMITATIONS OF THE STUDY

1. The study is limited to the age group of 20 - 35.

2. Data will be collected among the young employees in Jaipur city, therefore the results cannot be
generalised.

3. The study focuses on the level of financial literacy they possess and the results will not ensure the financial
wellbeing of the sample.

CONCLUSION

As discussed the study focuses on measuring the financial literacy of young private sector employees in Jaipur
city. A structured questionnaire will be framed based upon the literature review and would be validated. A
pilot study would be conducted using this questionnaire. Based upon the results of the pilot study, an in depth
research would be conducted. The following are main points regarding to the conclusion part of the research
study:

- Overall financial literacy level of 58.30% among salaried individuals of private sector is not very
  encouraging.

- Financial literacy level of males is higher than that of female of the targeted group. The difference is
  also statistically significant.

- Financial literacy is highest for those who are more than 30 years of age followed by those who fall in
  the age group of 25-30 years. Level of financial literacy is lowest for very young respondents i.e. who
  are in the age group of 20-25 years. The results of ANOVA show that difference in respondent’s
  financial literacy level based on age is not statistically significant.

- 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.
Employees background also influences the financial planning decision employees belongs to urban areas are more financially literate as compared to rural areas people.

The employees working in Big sector private jobs are more financially literate as compared to those in Small and medium sector private jobs and the difference is statistically significant.

Geographic region does not affect the level of financial literacy significantly.

FUTURE SCOPE

The study focuses on the level of financial literacy possessed by young private sector employees in Jaipur city. Since India has a higher young demographic dividend, the study would help to know the need or steps to be taken to improve or update the existing level of financial literacy. Similar studies may be conducted among young entrepreneurs, financial managers of similar organisations, governmental organisation etc... Since the lack of financial literacy and lack of experience with financial products have resulted in poor management of finance in most governmental organisation, this kind of studies would help them to improvise in financial planning. Hence there is wide scope for the study among the various other targeted groups.

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