

Socio-Demographic Factors and Its Impact on Financial Literacy- A Study of Hyderabad

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Abstract

Financial literacy is essential for an individual's future economic progress. The three pillars of financial literacy are knowledge, behavior and attitude. Many financial opportunities exist, particularly in the modern liberalized economy that presses upon the need for financial literacy to ensure individual's financial well-being. The current study attempts to assess the financial literacy levels and also investigate the effects of socio-demographic factors like gender, education, age, occupation, income, family life cycle stage, nature of work and investing experience. The study uses cross tabulation and Chi-Square to study the relationship between financial literacy with the socio-demographic factors. The study highlights that gender, education, occupation, income, family life cycle, work nature, investing experience excepting age have an effect on financial literacy levels of the individuals.

Key Words: Financial Literacy, Socio-Demographic Factors, Financial Education, Financial Well-Being.

I. Introduction

In the era of major economic reforms, changing markets, financial products and services individuals need to possess financial literacy. Low financial literacy has become a serious stumbling block for governments all over the world. Financial literacy is a collection of financial knowledge, familiarity, skills, behavior and attitude which encourages individuals to take prudent and acceptable financial decisions for their financial well-being. Companies are now offering complex and complicated financial products in today's market-driven economy, necessitating the demand for financial literacy. Particularly, developing countries such as India have a large young population. The government and also regulatory bodies have taken steps to enhance the public financial literacy through various financial education initiatives. Financial literacy is simply disseminating financial information and advice to the general population either directly or indirectly. Financial literacy enables individuals to understand, effectively use and monitor financial information for their own or family's economic advantage and wellbeing.

OECD defines financial literacy as "A combination of awareness, acquaintance, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being". Financial literacy is mainly concerned with providing financial information needed for planning one's future retired life, helping them in accumulating wealth, enhancing their financial decision-making ensuring individual wealth and well-being, simultaneously contributing to economic growth. Studies have been conducted all around the world to determine the percentage of people who are financially literate. Numerous surveys were conducted by many governments so as to determine the rate of financial literacy and to bring about reforms accordingly. Surveys across different countries revealed low financial literacy levels among people. Even in India low financial literacy is exhibited by people, stressing upon the need for enhancing the financial literacy levels as much of the populace is financially excluded from the formal financial sector. Promoting financial education leads to financial literacy thereby ensuring the financial inclusion leading to financial stability to individuals and also to economy.

II. Objectives of Study

The current study is taken up with following objectives:

1. To know the financial literacy levels of the individuals of Hyderabad.
2. To study the relationship between financial literacy and socio-demographic factors.

III. Review of Literature

Muktar Hossain & Sumit Kumar (2021) investigated the level of financial literacy among people in the Indian state of West Bengal using the data drawn from Financial Inclusion Insight Programme database. The study used non-parametric tests and censored tobit regression. The findings revealed that individuals in the districts of Kolkatta, Howrah, Paschim and Birbhum exhibited medium financial literacy compared to all other districts which exhibited lower financial literacy. Financial literacy was majorly influenced by marital status, financial situation, gender education and technological aptitude. **Risav Adhikari (2020)** assessed the financial literacy levels of youth in Kolkata. Demographic variables like educational qualification, age, gender and family income were used to measure the financial literacy. The study revealed that gender and age are not significantly related to financial literacy. Respondents with high educational qualification and those earning high incomes scored high financial literacy score. Hence, it was identified that financial literacy is greatly influenced by family income and educational qualification.

Peter J.Morgan, Long Q.Trinh (2019) attempted to identify the determinants of financial literacy by conducting a survey between Cambodia and Vietnam. The study highlighted that age, income, occupation, education as the major determinants of financial literacy. The study revealed that those who were highly educated, earning higher incomes and living in urban areas exhibited higher financial literacy. Further, educational qualification as was identified as the major factor showing its positive influence on saving behavior and financial inclusion. **Rachna Gangwar and Ritvik Singh (2018)** investigated the influence of financial literacy on investment behavior of individuals. Knowledge of the respondents was tested by asking questions on inflation, risk diversification and interest rates. The study revealed that socio-demographic exercised great influence on the choice of investment decision-making by the individuals. Further, financial literacy had no influence on the investment behavior of the respondents. **Pankaj Mishra (2018)** demonstrated through the study significant impact of socio-demographic factors on individual's saving and investment awareness levels. Men had more awareness on financial concepts compared to women. Savings and investment patterns were influenced by their income and age. Further, women risk-averse and opted traditional investment options like gold. Contrary to this men were risk-takers and chose of modern and traditional investment options.

Gulnoza Isomidinova and Jugindar Singh Kartar Singh (2017) through their study revealed that Uzbekistan students' financial literacy was greatly influenced by their financial education. Findings highlighted that financial socialization agents had a good impact on Uzbekistan students' financial literacy levels. Further, educational authorities, parents and academicians who have a significant influence on students can help in enhancing the financial literacy among the Uzbek students. **Mousumi Singha Mahapatra, Swati Alok, Jayasree Raveendran (2016)** selected 425 students from various institutions in the twin cities to explore the impact of variables such as parental influence, attitude towards financial planning and socio-demographic factors on the financial literacy levels. According to the results of the logistic regression study, parental influence and socio-demographic factors had a stronger impact on students' financial literacy levels whereas the attitude towards financial planning had a negative impact.

Muhammad I. Albeerdy & Behrooz Gharleghi (2015) studied the influence of significant factors on financial literacy among the Malaysian University students. Findings demonstrated that financial literacy and education are closely associated with a positive, robust relationship suggesting that as one's level of education rises, so does one's level of financial literacy. Parents were found to have a significant influence on their children's money attitudes. A positive correlation was found between financial literacy and money attitude, indicating a strong association between the two. Finally it was concluded that education is a significant factor influencing students' financial literacy levels in Malaysia. **Sobhesh Kumar, et.al., (2013)** investigated the impact of socio-demographic factors on financial literacy of working urban youth in India. The study used multinomial logistic regression and identified that income, gender and education had the same amount of influence on people's financial literacy levels as numerous previous studies had suggested. In the Indian context, consultative behavior in the financial decision making process and joint family were the specific factors that influenced the youth financial literacy levels. Even the respondents were highly educated, they lacked financial literacy because their general education curriculum did not provide them with adequate financial understanding. Due to youth's unwise decisions, a negative relationship between financial conduct and financial attitude has been discovered.

IV. Methodology

The primary data needed is collected with the help of survey questionnaire consisting of questions on financial concepts and financial instruments circulating it among 536 respondents of Hyderabad.

Based on the objectives of the study the following hypotheses have been framed:

H01: Exists no relationship between the gender of the respondents and level of financial literacy.

H02: Exists no relationship between the age of the respondents and level of financial literacy.

H03: Exists no relationship between the occupation of the respondents and level of financial literacy.

H04: Exists no relationship between the education qualification of the respondents and level of financial literacy.

H05: Exists no relationship between the income of the respondents and level of financial literacy.

H06: Exists no relationship between the family life cycle stage of the respondents and level of financial literacy.

H07: Exists no relationship between the nature of job of the respondents and level of financial literacy.

H08: Exists no relationship between the investment experience of the respondents and level of financial literacy.

V. Data Interpretation

Respondents are categorized into three levels namely low, moderate and high based on the mean scores obtained by the respondents on the financial literacy questions. The table 1 below shows the categorization of respondents based on the responses given by them to the various questions on financial concepts and financial instruments.

Table 1 – Financial Literacy Level

Financial Literacy level	No. of Respondents	% of Respondents
Low	50	9.3
Moderate	377	70.3
High	109	20.4
Total	536	100.0

(Source: Primary data)

Table 2-Profile of the Respondents

Gender	No. of Respondents	% of Respondents
Male	316	59.0
Female	220	41.0
Age Group		
20-30 Years	138	25.7
30-40 years	186	34.7
40-50years	160	29.9
Above 50 years	52	9.7
Area		
L.B.Nagar	98	18.3
Charminar	82	15.3
Khairathabad	94	17.5
Secunderabad	96	17.9
Serilingampally	76	14.2
Kukatpally	90	16.8
Education Qualification		
Below Graduation	140	26.1
Graduation	266	49.6

Post-Graduation	106	19.8
Others	24	4.5
Occupation		
Government Employee	23	4.3
Private Employee	285	53.2
Professional	36	6.7
Self Employed/Business	110	20.5
Home maker	65	12.1
Retired	17	3.2
Monthly Income		
Below Rs.20,000	210	39.2
Rs.20,001- 40,000	213	39.7
Rs.40,001- 60,000	72	13.4
Rs.60,001- 80,000	20	3.7
Rs.81,000- 1,00,000	10	1.9
Above Rs.1,00,000	11	2.1
Stage of Family Life Cycle		
Single	95	17.7
Married	80	14.9
Married with dependent children	327	61.0
Married with no dependent children	34	6.3
Nature of Job(working in Banking/Financial Sector)		
Yes	58	10.8
No	478	89.2
Years of Investment experience		
Less than 1year	154	28.7
1-5years	238	44.4
5-10years	65	12.1
Above 10 years	79	14.7
Total	536	100.0

(Source: Primary Data)

Table 3 Gender Vs Financial Literacy levels

Gender		Financial Literacy level			Chi-Square Test at 5% Level of Significance	Result
		Low	Moderate	High	$\chi^2=17.509$ 2 df p value .000	Ho₁:Rejected
Male	F	19	218	79		
	%	6.0%	69.0%	25.0%		
Female	F	31	159	30		
	%	14.1%	72.3%	13.6%		
Total	F	50	377	109		
	%	9.3%	70.3%	20.3%		

(Source: Compiled from Primary Data)

Table 3 depicts the Chi-Square test results of gender and financial literacy levels. The Chi-Square value is 17.509 and the p value is .000 which is less than 0.05. Hence, Null Hypothesis is rejected. It is accepted there is a significant association between the gender of the respondents and their financial literacy levels.

Table 4 Age Vs Financial Literacy Levels

Age		Financial Literacy Levels			Chi-Square Test at 5% Level of Significance	Result
		Low	Moderate	High		
20-30 Years	F	20	88	30	$\chi^2=8.737$ 6 df p value .189	Ho2:Accepted
	%	14.5%	63.8%	21.7%		
30-40 years	F	12	132	42		
	%	6.5%	71.0%	22.6%		
40-50years	F	13	118	29		
	%	8.1%	73.8%	18.1%		
Above 50 years		F	5	39		

(Source: Compiled from Primary Data)

Table 4 depicts the Chi-Square test results of age and financial literacy levels. The Chi-Square value is 8.737 and the p value is .189 which is more than 0.05. Hence, Null Hypothesis is accepted. The test result reveal that there is no significant association between the age of the respondents and their financial literacy levels. Age and financial literacy are independent of each other.

Table 5 Educational Qualification Vs Financial Literacy Levels

(Source: Compiled from Primary Data)

Table 5 depicts the Chi-Square test results of educational qualification and financial literacy levels. The Chi-Square value is 38.657 and the p value is .000 which is less than 0.05. Hence, Null Hypothesis is rejected. It is accepted there is a significant association between the educational qualification of the respondents and their financial literacy levels.

Table 6 Occupation Vs Financial Literacy Levels

Occupation		Financial Literacy level			Chi-Square Test at 5% Level of Significance	Result
		Low	Moderate	High		
Government Employee	F	0	19	4	$\chi^2=34.895$ 10 df p value .000	Ho4:Rejected
	%	0.0%	82.6%	17.4%		
Private Employee	F	30	177	78		
	%	10.5%	62.1%	27.4%		
Professional	F	1	29	6		
	%	2.8%	80.6%	16.7%		
Self Employed/Business	F	6	88	16		
	%	5.5%	80.0%	14.5%		
Home maker	F	11	52	2		
	%	16.9%	80.0%	3.1%		
Retired	F	2	12	3		
	%	11.8%	70.6%	17.6%		
Total	F	50	377	109		
	%	9.3%	70.3%	20.3%		

(Source: Compiled from Primary Data)

Table 6 depicts the Chi-Square test results of occupation and financial literacy levels. The Chi-Square value is 34.895 and the p value is .000 which is less than 0.05. Hence, Null Hypothesis is rejected. It is accepted that the occupation of the respondents and their financial literacy levels are significantly associated with each other.

Table 7 Monthly Income Vs Financial Literacy Levels

Monthly Income		Financial Literacy level			Chi-Square Test at 5% Level of Significance	Result
		Low	Moderate	High		
Below Rs.20,000	F	30	155	25	$\chi^2=28.799$ 10 df p value .001	H₀: Rejected
	%	14.3%	73.8%	11.9%		
Rs.20,001- 40,000	F	15	151	47		
	%	7.0%	70.9%	22.1%		
Rs.40,001- 60,000	F	4	46	22		
	%	5.6%	63.9%	30.6%		
	%	0.0%	65.0%	35.0%		
Rs.81,000- 1,00,000	F	0	6	4		
	%	0.0%	60.0%	40.0%		
Above Rs.1,00,000	F	1	6	4		
	%	9.1%	54.5%	36.4%		
Total	F	50	377	109		
	%	9.3%	70.3%	20.3%		

(Source: Compiled from Primary Data)

Table 7 depicts the Chi-Square test results of income and financial literacy levels. The Chi-Square value is 28.799 and the p value is .001 which is less than 0.05. Hence, Null Hypothesis is rejected. It is accepted that the income of the respondents and their financial literacy levels are significantly associated with each other.

Table 8 Family Life Cycle Stage Vs Financial Literacy Levels

Family Life Cycle Stage		Financial Literacy level			Chi-Square Test at 5% Level of Significance	Result
		Low				
Single	F	18	56	21	$\chi^2=23.080$ 6 df p value .001	H₀: Rejected
	%	18.9%	58.9%	22.1%		
Married without children	F	8	58	14		
	%	10.0%	72.5%	17.5%		
Married with dependent children	F	24	242	61		
	%	7.3%	74.0%	18.7%		
Married with no dependent children	F	0	21	13		
	%	0.0%	61.8%	38.2%		
Total	F	50	377	109		
	%	9.3%	70.3%	20.3%		

Table 8 depicts the Chi-Square test results of family life cycle stage and financial literacy levels. The Chi-Square value is 23.080 and the p value is .000 which is less than 0.05. Hence, Null Hypothesis is rejected. . It is accepted that the family life cycle stage of the respondents and their financial literacy levels are significantly associated with each other.

Table 9 Nature of Job Vs Financial Literacy Levels

Nature of Job(Working in Banking and Financial Sector)		Financial Literacy level			Chi-Square Test at 5% Level of Significance	Result
		Low			χ^2-60.704 2 df p value .000	H₀: Rejected
Yes	F	2	25	31		
	%	3.4%	43.1%	53.4%		
No	F	48	352	78		
	%	10.0%	73.6%	16.3%		
Total	F	50	377	109		
	%	9.3%	70.3%	20.3%		

(Source: Compiled from Primary Data)

Table 9 depicts the Chi-Square test results of the nature of work and financial literacy levels. The Chi-Square value is 60.704 and the p value is .000 which is less than 0.05. Hence, Null Hypothesis is rejected. It is accepted that the nature of the respondent's jobs and their financial literacy levels are significantly associated with each other.

Table 10 Investment Experience Vs Financial Literacy Levels

Investment Experience		Financial Literacy level			Chi-Square Test at 5% Level of Significance	Result
		Low			χ^2-31.342 6 df p value .000	H₀: Rejected
Less than 1year	F	18	121	15		
	%	11.7%	78.6%	9.7%		
1-5years	F	18	167	53		
	%	7.6%	70.2%	22.3%		
5-10years	F	3	50	12		
	%	4.6%	76.9%	18.5%		
Above 10 years	F	11	39	29		
	%	13.9%	49.4%	36.7%		
Total	F	50	377	109		
	%	9.3%	70.3%	20.3%		

(Source: Compiled from Primary Data)

Table 10 depicts the Chi-Square test results of investment experience and financial literacy levels. The Chi-Square value is 31.342 and the p value is .000 which is less than 0.05. Hence, Null Hypothesis is rejected. It is accepted that the investment experience of the respondents and their financial literacy levels are significantly associated with each other.

VI. Conclusions

The Chi Square test results reveal that socio-demographic factors such as gender, age, occupation, income, nature of job, family life cycle stage and the investment experience of the respondents have a significant impact on the level of financial literacy possessed by them. Age is the only factor which exhibited no association with the financial literacy. Hence, it is concluded that age and financial literacy are independent.

VII. Suggestions

The following suggestions are made based on the observations:

1. Individuals must be imparted knowledge on financial concepts from the childhood days by including the financial concepts as part of their curriculum. As education plays a major role in enhancing the financial literacy levels of individuals.

2. The number of seminars, conferences and workshops must be increased at the place of work of individuals as that helps them in resolving their queries and also, seek the expert advice if needed.
3. Individuals must regularly draft the budget as that would help them in tracking their expenses and incomes.
4. Further, individuals must inculcate the habit of thrift and draft a good financial plan for their future which helps them in handling any kind of financial crisis.

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