



LEVEL OF FINANCIAL LITERACY: A STUDY IN KODAGU DISTRICT OF KARNATAKA

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ABSTRACT The financial world today is so much influenced by technology and is as such very innovative with a lot of financial products. Hence it becomes imperative for all to be financially literate. It is very important to be cautious in all our financial dealings and management of financial resources both at individual and at organization level. This paper focuses on the level of financial literacy in Kodagu district of Karnataka. The sample consisted of people with graduation as the minimum qualification. The study reveals that the level of financial literacy (knowledge, behavior and attitude towards financial matters) among the graduate population is quite satisfactory, though there is a scope for more people to adopt or use various financial products and services. Also the sample respondents were found to exercise caution when taking financial decisions.

KEYWORDS : Financial Literacy, Financial Knowledge, Financial Behavior, Financial Attitude.

Introduction

"The number one problem in today's generation and economy is the lack of financial literacy"- Alan Greenspan

It is a globally acknowledged fact that financial education and literacy are very important for the financial well-being of not only the individual but also for economic stability of a country. Financial Literacy is the ability to understand and use money and also be able to take informed and cautious decisions regarding money – its investment and management. It is a blend of knowledge, skill and attitude towards financial matters. The Financial Literacy and Education Commission define financial literacy as "the ability and awareness to use knowledge and skills to manage financial resources to achieve maximum financial well-being." A financially literate person is able to make wise and assertive monetary decisions- he knows how to choose the right source of borrowing and also the right avenues for investment. He is well informed and has adequate knowledge of the financial products in the market and is able to make use of them to optimize his financial resources. The recent developments in the financial and technological sphere have made it imperative for each one of us to be financially literate as a myriad of financial products are offered and also the accessibility to these have increased. The plethora of financial products and services and the persuasive promotion of these products baffles the consumers and they fail to take educated decisions in this matter due to lack of financial education. Financial literacy enhances the financial and market knowledge and builds confidence among people to take judicious decisions regarding their finances and hence securing their financial future.

It is common knowledge to assume that highly educated and high income people are more financially literate when compared to less educated ones. But information available shows that it is not the norm. Hence the objective of this paper is to understand the level of financial literacy of people in Kodagu district of Karnataka.

Need for the Study

In an increasingly uncertain and globalized world, one must be able to make well-informed financial decisions. Financial problems cannot be solved with money but with financial education. Availability of numerous financial products and services coupled with low level of awareness and lack of knowledge about financial issues make it necessary to assess and highlight the level of financial literacy. The level of financial literacy differs from individual to individual as also across genders, age, occupation and income levels. Limited access to financial information reduces ones' confidence to make wise decisions regarding financial matters be it in choosing financial products and services or investment avenues. Job insecurity, uncertainty in income and easy access to consumption credit has a great influence on their financial behavior. Very less research has been done on financial literacy. In a country like India with a highly young demographic dividend and socioeconomic diversities and policies of financial inclusion there should be more research in this area. There is almost no study of financial literacy in Kodagu (Coorg) district, a small picturesque district of Karnataka with a population of around 5 lakh and which is known for its coffee and tourist attractions and a literacy rate of around 83%. Hence the need for this study.

Objectives of the Study

- To understand the level of awareness and knowledge of financial products and services among the graduate population of Kodagu
- To understand the sources of financial literacy.
- To understand the behavior during financial emergencies.
- To understand the financial attitude of the people.

Review of Literature

Michael (2009) opines that a lack of financial literacy can hinder the ability of individuals to take well informed financial decisions and those who face problems in taking sound financial decisions, financial advice will act as a substitute for financial knowledge. Agarwal et al, (2009), in their paper, 'The Age of Reason: Financial Decisions over the Lifecycle' opined that education increases cognitive ability and this enhances the levels of financial literacy. Hence the older the people, the lesser the cognitive ability and lower the levels of financial literacy.

Lusardi and Mitchell (2011) in their paper on Financial Literacy around the world found that employed people tend to be more financially literate than the unemployed due to the knowledge from the workplace. Earning capacity is also a reason for the same.

Agarwalla Sobhesh Kumar, et.al (2012) conducted a study on Financial Literacy among Working Young in Urban India and found that financial knowledge among Indians was quite low when compared to International standards. But the financial behaviour and attitude of the employees and especially the retired was found to be positive. The financial knowledge among the women was marginally high than the men. Consumption credits being very accessible have influenced the financial behaviour of young employees.

Ansong and Gyensare (2012) conducted a study among University students at Ghana and the study found a positive correlation between age and work experience and financial literacy. Also, mother's education was positively correlated to students' financial literacy and fathers' education had no influence on financial literacy.

Puneet Bhushan et al. (2013) surveyed 516 salaried personnel in Himachal Pradesh to assess the financial literacy level. The overall literacy level was found to be low; also men were more financially literate when compared to women. Education, income, nature of employment and place of work had an impact on financial literacy.

Visa Financial Literacy Survey (2014), found Indians to be the least financially literate people across the globe especially the youth and women. Only 25% of total population in India is financially literate and ranked 23rd among 28 countries.

Financial literacy varies significantly among respondents based on various demographic and socioeconomic factors such as gender, education, income, marital status and number of dependents. This was concluded by Sekar & Gowri (2015) in their study on financial literacy among Gen Y employees in Coimbatore city. The study found the level of financial literacy to be low among Gen Y employees in Coimbatore city.

Lavanya Rekha Bahadur (2015) studied the level of financial literacy at Mumbai & Thane and was found to be very low. V Mathavathani et al. (2014) studied the level of financial literacy with respect to knowledge, behavior and attitude of rural women in Tamil Nadu. They found the level of financial literacy to be low.

The level of financial literacy among employees in Chennai was found to be low in a study by Deepa (2018). Kadoya and Khan (2019) in their paper mentioned that males are more financially literate than females. They also contended that education is positively related to financial knowledge.

Methodology:

Descriptive research design was followed in this study. The population frame consisted of people with graduation as minimum educational qualification i.e., to study the level of financial literacy among the graduate population. Due to time constraints, a Convenience Sampling method was adopted to select a sample of hundred respondents. Data required for the study was obtained from both primary and secondary sources. A Questionnaire was used to collect data from the respondents, which was prepared based on existing literature on the components of Financial Literacy. 75 questionnaires were complete and used for analysis.

Results & Findings

I Demographic Details of Respondents

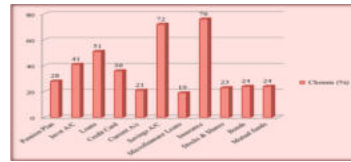
Variables	Category	Number	%
Gender	Male	41	55
	Female	34	45
Place of Residence	Dist. Hq	32	43
	Taluk Hq	8	11
	Town	44	24
	Village	16	22
Age	<22 yrs	17	23
	23-30 yrs	25	33
	30-40 yrs	18	24
	40-50 yrs	9	12
	50-60 yrs	4	5
	<60 yrs	2	3
Marital Status	Married	33	44
	Single	42	56
Level of Education	Degree	33	44
	PG	36	48
Source: Primary Data	PhD	6	8
Employment Status	Student	12	16
	Private Sector	17	23
	Govt Sector	28	37
	Self-employed	8	11
	Unemployed	10	13
	Family Budget	YES	10
	NO	28	38
	Don't Know	37	49

55% of the respondents were male, 22% of the sample were rural residents, 33% of the sample were in the age group of 23 -30 years, 23% were less than 22 years old, 24% belonged to the age group of 30-40 years, 44% of the sample were married; 48% of the sample were post-graduates whereas 27% of the respondents were graduates; 37% were employed in the government sector, 23% in the private sector, 16% were students and 13% in search of jobs; 13% of the respondents opined that their families prepare a family budget while 33% opined otherwise and a large percentage (48%) were not aware of it.

II Level of Awareness of Financial Products:

	Heard & Chosen (%)	Heard & Not Chosen (%)	Not Heard (%)
Pension Plan	28	66	6
Investment A/C	41	48	11
Loans	51	44	5
Credit Card	36	61	3
Current A/c	21	74	5
Savings A/C	72	25	3

Microfinance Loans	19	62	19
Insurance	76	24	0
Stocks & Shares	23	73	4
Bonds	24	73	3
Mutual funds	24	72	4



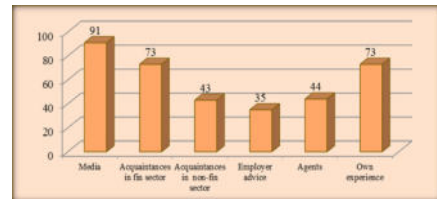
Fig(1) % Respondents availing various financial products

Among the financial products, 76% of the respondents have insurance, 72% have a Savings account, 51% have availed loans for various purposes, 36% have a credit card, 28% most of who are working in the government sector have pension plans, 24% of the respondents have invested in shares, bonds and mutual funds. 66% of the respondents do not have any pension plans, 3% do not have a savings account and 44% have not availed any loans. It is heartening to note that a very small proportion of the sample is not aware of various financial products and services. Most are aware but their level of adoption or use of some of the products is not very encouraging.

III Sources of Information about Financial Products.

Source of Information	%
Media	91
Acquaintances in financial sector	73
Acquaintances in non- financial sector	43
Employer advice	35
Agents	44
Own experience	73

Media is the most popular source of information about financial products, 91% of the respondents have opined that they have obtained information from the media (newspapers, TV, radio, internet), followed by friends and acquaintances working in the financial sector and also from one's own experiences and knowledge; information is also obtained from financial agents such as insurance agents.

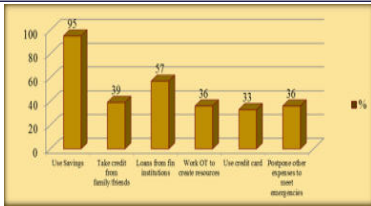


Fig(2) Sources of Information regarding Financial Products

III Preferred Options In Case of Financial Emergencies (%)

Options	YES	NO	Can't Say/ Not Sure
Use Savings	95	1	4
Take credit from family/friends	39	41	20
Loans from financial institutions	57	19	24
Work overtime to create resources	36	57	7
Use credit card	33	44	23
Postpone other expenses to meet emergencies	36	57	7

The table depicts the financial behavior of respondents in times of financial emergencies. 95% of the respondents opined that they would rely on their savings which is very natural. The main intention of people saving their hard earned money is for meeting certain future unspent expenditure. 95% of the sample which means people have a savings habit which is a very prudent financial behavior. When it comes to taking credit from friends and well-wishers the sample is almost equally divided; 57% would opt to take loans from financial institutions whereas 36% would work overtime to make the extra money to meet emergencies; 33% would make use of their credit cards. It is usually a tendency for one to postpone certain other expenses in times financial emergencies but 57% of the sample felt otherwise.



Fig(3) Preferred Options in times Financial Emergencies

IV Financial Attitude

STATEMENTS	Agree (%)	Disagree (%)	No Opinion (%)
Before I buy any financial product, I will consider if I can afford it.	87	0	13
I find it more satisfying to spend money than to save for long terms	35	42	23
Money is there to be spent	43	25	32
I pay my bills on time	87	5	8
I am prepared to risk my money when saving or making an investment	57	28	15
I am very cautious with my financial matters	92	0	8

The above table depicts the opinion and judgment of the respondents regarding certain financial matters. 87% of the respondents look into the affordability aspect before making a decision to purchase or avail financial products. This is a judicious opinion. The sample respondents are almost equally divided on saving versus spending money; 43% feel that money exists to be spent; 87% a large majority are very prompt in paying bills which shows financial discipline on their part. 57% of the respondents are ready to take risks either when making an investment or when saving money. 92% are very cautious when taking financial decisions. To summarize, the respondents have a favorable financial attitude.

Conclusion

From the above analysis it can be concluded that overall financial literacy level among the educated respondents is quite encouraging, which means that the respondents in the sample do have knowledge about various financial products, their financial behavior shows prudence, avoiding unnecessary risks and a financial attitude of discipline towards financial management. Most of them are aware of the various financial products and services but their adoption or use is not quite high.

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