



## FINANCIAL LITERACY - A GATEWAY OF RESPONSIBLE FINANCIAL DECISIONS

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**ABSTRACT** Today the financial services sector has become highly diversified offering the investor with a wide range of investment avenues. With proper investment strategies and financial planning investor can increase personal wealth which will contribute to higher economic growth. Economic growth is among the most vital factors affecting the quality of life that people lead in a country. Three variables that measure the growth of an economy are Income, Saving and Investment. Financial emergency may arise at any time. It is needless to say that having a savings/investment portfolio is important. Money is something that is exchanged also something that is saved. Money matters and is important for survival. Sound financial planning will lead to success. Investment decisions involved the redistribution of funds to various investment prospects to achieve the best possible return. It actually allows companies to pick the best form of assets to invest their funds. The chapter attempts to measure the financial literacy among scheduled community in Tuticorin District. Primary data collected through structured interview scheduled has been used for analysis and presented in the study. The result of the study that monetary literacy is low among the scheduled community people in Tuticorin district.

### KEYWORDS :

#### INTRODUCTION:

Financial literacy is also necessary to step up towards financially responsible decisions- that are indispensably integral to our day to day lives. To sum up, financial literacy impacts the regular decisions that a family makes in order to balance their budget, financing their child's education, plan for income after retirement and saving for emergencies and for future, making profits through small savings and deposits etc. An individual who is financially literate can plan, save, borrow, invest, and spend wisely, take risks reduction measures and even seek financial information where necessary. The lack of basic knowledge about financial products and services and their risk-return framework is one common instance of financial illiteracy that is widely observed.

#### Statement of the Problem

Financial literacy is essential for enabling people to make right financial choices. In view of the lack of proper awareness, people buy insurance policies without adequate planning and give up midway because they don't have money to pay the premium. Aggressive pushing of products by insurance providers without adequately assessing the consistency in income streams of the buyers for servicing their policies can mean more harm to the poor. With the changes in working life globally, the income stream of individuals has all become more incoherent. The income level of an individual fluctuates at different timelines such as the periods of high income followed by low level of income or no income at all. Finance Education can play a vital role in equipping individuals with the necessary skills for appropriate investment decisions.

#### Objectives of the Study

The study "Financial Literacy among Scheduled Communities in Tuticorin District" aims to assess the financial literacy level among scheduled community people in general and in particular. The following objectives were made:

1. To understand the financial avenues of scheduled community people in Tuticorin District
2. To analyse the literacy level of scheduled community people in banking, insurance, and postal financial services in the study area. viz, Tuticorin district.
3. To offer suitable suggestions to improve the financial literacy of scheduled community people that leads to financial inclusion.

#### Review of Literature

**Kirti Goyal and Satish Kumar** (2020) in their study on "Financial literacy: A systematic review and bibliometric analysis" comprises a review of 502 articles published in peer reviewed journal from 2000 to 2019. citation network , pag-rank analysis, co-citation analysis, content analysis and publication trends have been employed to identify influential work delineate the intellectual structure of the most prominent journals, authors, countries, articles and themes have been identified using bibliometric analysis, followed by a comprehensive analysis of the content of 107 papers in the identified clusters. The three major themes enumerated are – levels of financial literacy

amongst distinct cohorts, the influence that financial literacy exerts on financial planning and behaviour, and the impact of financial education. Additionally, content analysis of 175 papers has been conducted for the last four years articles that were not covered in the co-citation analysis emerging themes identified include financial capability, financial inclusion, gender gap, tax & insurance literacy, and digital financial education. A conceptual frame work has been modelled portraying the complete picture following which potential areas of research have been suggested.

**Shekinah E.Dare** (2020) in the study on "The effect of financial education on pupils' financial knowledge and skills: Evidence from a Solomon four – group design" used a Solomon four – group quasi – experimental design to examine the short – term effect of a large – scale national financial education program on children's knowledge and skill in responsible spending and performing transactions effectively. The study indicated that as compared to children who do not talk about money at home those who do talk about money at home displayed higher financial knowledge and skills. Children who learn about financial matters from their parent's, guardians, or caregivers experiences are better able to relate those experiences to the questions that were asked. In additional, as compared to children who do not earn money from doing chores those who do earn money from doing chores are displaying higher financial knowledge and skill scores. Financial education programs that enable Children to immediately apply what they learn in practice can improve children's certain financial competencies.

**Annamaria Lusardi** (2019) in the study on "Financial literacy and the need for financial education: evidence and implications" explained that an essential indicator of people's ability to make financial decisions is their level of financial literacy even in some of the world's most well- developed financial markets, is of acute concern and needs immediate attention. The Big three questions that were designed to measure financial literacy go a long way in identifying aggregate differences in financial knowledge and highlighting vulnerabilities within populations and across topics of interest thereby facilitating the development of tailored programs. Many such programs to provide financial education in schools and colleges, workplaces and the larger community have taken existing evidence into account to create rigorous solutions.

#### Analysis of the Study

##### Financial Avenues Of Scheduled Communities Banking Avenues

Scheduled community people have different banking avenues namely savings account, recurring deposits, fixed deposits, current account, overdraft account, demat account, safety lockers, ATM cards, Debit cards, Credit cards, Kisan cards, electronic fund transfer like google pay. Though the banks offer different avenues, the scheduled community people should be aware of the avenues in order to avail those avenues. Table 1 shows the banking avenues of scheduled community people.

**Table 1 Banking Avenues of Scheduled Community People**

Sl. No	Banking Avenues	Yes	No	Total
1.	Savings Account	582 (97)	18 (3)	600 (100)
2.	Recurring Deposits	19 (3.2)	581 (96.8)	600 (100)
3.	Fixed Deposits	7 (1.2)	593 (98.8)	600 (100)
4.	Current Account	2(0.3)	598 (99.7)	600 (100)
5.	Overdraft Account	-	600 (100)	600 (100)
6.	Demat Account	2(0.3)	598 (99.7)	600 (100)
7.	Safety Lockers	6(1)	594 (99)	600 (100)
8.	ATM Cards	471 (78.5)	129 (21.5)	600 (100)
9.	Debit Cards	78 (13)	522 (87)	600 (100)
10.	Credit Cards	33 (5.5)	567 (94.5)	600 (100)
11.	Kisan Cards	5 (0.8)	595 (99.2)	600 (100)
12.	Electronic Fund Transfer Like Google Pay, RTGS, etc	127 (21.2)	473 (78.8)	600 (100)

Source: Primary Data.

It is noted from Table 1 that out of the 600 sample scheduled community people, 582 (97%) have savings account, 471 (78.5%) have ATM cards, 127 (21.2%) have electronic fund transfer, 78 (13%) have debit cards, 33 (5.5%) have credit cards and 19 (3.2%) have recurring deposits, while 600 (100%) have not overdraft account, 598 (99.7%) have not current account and demat account, 595 (99.2%) have not kisan cards and 594 (99%) have not safety lockers. From this, it is concluded that the majority of the respondents have a savings account.

**Insurance Avenues**

Scheduled community people have different insurance avenues namely health insurance, non-life insurance, endowment policies, annuity policy, children's plans and education plans. Though the insurance offers different avenues, the scheduled community people should be aware of the insurance avenues in order to avail those insurance avenues. Table 2 shows the insurance avenues of scheduled community people.

**Table 2 Insurance Avenues of Scheduled Community People**

Sl. No	Insurance Avenues	Yes	No	Total
1.	Health Insurance	190 (31.7)	410 (68.3)	600 (100)
2.	Non-life Insurance	107 (17.8)	493 (82.2)	600 (100)
3.	Endowment Policies	-	600 (100)	600 (100)
4.	Annuity Policy	6 (1)	594 (99)	600 (100)
5.	Children's Plans	22 (3.7)	578 (96.3)	600 (100)
6.	Education Plans	-	600 (100)	600 (100)

Source: Primary Data.

Table 2 highlights that out of the 600 sample scheduled community people, 190 (31.7%) have health insurance, 107 (17.8%) have non-life insurance, 22 (3.7%) have children's plans and 6 (1%) have annuity policy, while 600 (100%) have not endowment policies and education plans, 594 (99%) have not annuity policy, 578 (96.3%) have not children's plans, 493 (82.2%) have not non-life insurance and 410 (68.3%) have not health insurance. From this, it is concluded that the majority of the respondents have health insurance.

**Post Office Avenues**

Scheduled community people have different post office avenues namely Savings Account, Recurring Deposits, Monthly Income Schemes, Time Deposits, Postal Life Insurance, Kisan Vikas Patras, Public Provident Fund and Selva Magal Scheme. Though the post offices offer different avenues, the scheduled community people should be aware of the post office avenues in order to avail those post office avenues. Table 4.12 shows the post office avenues of scheduled community people.

**Table 3 Post Office Avenues of Scheduled Community People**

Sl. No	Post Office Avenues	Yes	No	Total
1.	Savings Account	169 (28.2)	431 (71.8)	600 (100)
2.	Recurring Deposits	31 (5.2)	569 (94.8)	600 (100)
3.	Monthly Income Schemes	-	600 (100)	600 (100)
4.	Time Deposits	6 (1)	594 (99)	600 (100)
5.	Postal Life Insurance	48 (8)	552 (92)	600 (100)
6.	Kisan Vikas Patras	6 (1)	594 (99)	600 (100)
7.	Public Provident Fund	4 (0.7)	596 (99.3)	600 (100)
8.	Selva Magal Scheme	34 (5.7)	566 (94.3)	600 (100)

Source: Primary Data.

Table 3 clearly depicts that out of the 600 sample scheduled community people, 169 (28.2%) have savings account in post office, 48 (8%) have postal life insurance in post office, 34 (5.7%) have selva magal scheme in post office, 31 (5.2%) have recurring deposits in post office, 6 (1) have kisan vikas patra in post office and another 6 (1%) have time deposits in post office, while 600 (100%) have not monthly income scheme in post office, 596 (99.3%) have not public provident fund in post office, 594 (99%) have not kisan vikas patra in post office, 569 (94.8%) have not recurring deposits in post office and 566 (94.3%) have not selva magal scheme in post office. From this, it is concluded that the majority of the respondents have savings accounts in the post office.

**Awareness on Provisions of ATM Card**

There are different provisions of ATM cards, namely withdrawal, withdrawal limit, withdrawal time limit, fund transfer, deposits and payment of bills. The following table shows the awareness of sample scheduled community people on provisions of Credit Card.

**Table 4 Awareness on Provisions of ATM Card**

Sl. No	Provisions of ATM Card	Yes	No	Total
1.	Withdrawal	471 (78.5)	129 (21.5)	600 (100)
2.	Withdrawal Limit	178 (29.7)	422 (70.3)	600 (100)
3.	Withdrawal Time Limit	178 (29.7)	422 (70.3)	600 (100)
4.	Charges	152 (25.3)	448 (74.7)	600 (100)
5.	Fund Transfer	148 (24.7)	452 (75.3)	600 (100)
6.	Deposits	56 (9.3)	544 (90.7)	600 (100)
7.	Payment of Bills	61 (10.2)	539 (89.8)	600 (100)

Source: Primary Data.

Table 4 clearly indicates that out of the 600 sample scheduled community people, 471 (78.5%) of the scheduled community people are aware about withdrawal, 178(29.7%) are aware about withdrawal limit, 178 (29.7%) are aware about withdrawal time limit, 152(25.3%) are aware about charges, 148 (24.7%) are aware about fund transfer, 56 (9.3%) are aware about deposits, 61 (10.2%) are aware about payment of bills, while 129 (21.5%) are not aware about withdraw 422 (70.3%) are not aware about withdrawal limit, 422 (70.3%) are not aware about withdrawal time limit, 448 (74.7%) are not aware about charges 452 (75.3%) are not aware about fund transfer, 544 (90.7%) are not aware about deposits, 539 (89.8%) are not aware about payment of bills.

**Banking Literacy Level among Different Age Group of Scheduled Community People**

An attempt has been made to find the significant relationship between the age group of scheduled community people and banking literacy level, 'ANOVA' test is used. The hypothesis is framed as follows,

The null hypothesis ( $H_0$ ) - **“There is no significant difference in banking literacy level among the different age group of scheduled community people in Tuticorin district”.**

The result of the 'ANOVA' test for the banking literacy level among different age groups of scheduled community people is presented in Table 6.

**Table 6 Banking Literacy Level among Different Age Group of Scheduled Community People**

Banking Literacy Level	Age Group (Mean Score)				F Statistics
	Below 20 Years	20 – 40 Years	41 – 60 Years	Above 60 Years	
The banks are offering more savings and investment schemes which is more suitable to the scheduled communities	3.8667	3.7910	3.6647	3.7213	1.932
The banks have advertised all its products and services to the rural women through proper channels	2.6667	2.6158	2.5941	2.7869	0.836
The banks have encouraged the scheduled communities to save the money in the banks	2.8000	2.5989	2.6176	2.7213	0.793

The banks have never refused to give any information about the banking services to the scheduled communities	3.5333	3.3927	3.4824	3.3279	1.769
Scheduled communities can save their money safely in the banks	3.8757	3.9633	3.9706	3.9344	0.820
The jewel loan is the most popular loan scheme among scheduled communities	3.8000	4.0028	3.9588	3.9672	1.388
The most difficult task for the scheduled communities to get a loan from the bank is surety and collateral security	3.1333	3.0254	2.9235	3.1639	1.407
The scheduled communities are not much using the safety lockers as compared to urban people	3.6000	3.6271	3.6059	3.3443	4.632*
The banks are offering only accepting deposits and lending loans to its customers	3.0667	3.3107	3.4059	3.3607	1.681
The scheduled communities are well aware about the credit cards and debit cards	2.7333	2.7599	2.7176	2.9180	1.607
The scheduled communities have no idea about the kinds of account in the banks	3.5333	3.6554	3.4345	3.3607	8.693*
Without anybody's help, the scheduled communities can approach the banks	3.2667	3.5198	3.4107	3.3607	3.161*

Source: Computed Data

\*-Significant at five per cent level

Table 6 highlights that scheduled community people can save their money safely in the banks and the banks are offering more savings and investment schemes which is more suitable to the scheduled community people are the high banking literacy among the sample scheduled community people who are in the age group of below 20 years as their mean scores are 3.8757 and 3.8667 respectively. Table further highlights that the jewel loan is the most popular loan scheme among scheduled community people and scheduled community people can save their money safely in the banks are the high banking literacy among the sample scheduled community people who belong to the age group between 20-40 years as their mean scores are 4.0028 and 3.9633 respectively. The table further indicates that scheduled community people can save their money safely in the banks and the jewel loan is the most popular loan scheme among scheduled community people are the high banking literacy among the sample scheduled community people who are in the age group between 41-60 years as their mean scores are 3.9706 and 3.9588 respectively. Further elucidates that the jewel loan is the most popular loan scheme among scheduled community people and scheduled community people can save their money safely in the banks are the high banking literacy among the sample scheduled community people who belong to the age group of above 60 years as their mean scores are 3.9672 and 3.9344 respectively. Regarding the banking literacy among the different age group of sample scheduled community people, the scheduled community people are not much using the safety lockers as compared to urban people, the scheduled communities have no idea about the kinds of account in the banks and without anybody's help, the scheduled community people can approach the banks are statistically significant at 5 per cent level.

#### Suggestions

- Scheduled community people with the age group of below 20 years and 20-40 age group are having medium level of financial literacy and if we want to raise the literacy level from medium to high, we must also focus on this age group.
- The financial institutions like banks, insurance companies and Postal and other non-banking financial institutions have to make them very closer to the general public, especially with the scheduled community people. This will in turn to improve their

financial knowledge which will always helpful to the scheduled community people to have multiple choices regarding savings, investments and using of financial services etc.

- Proper and suitable training must be given to the various financial intermediaries by financial agencies, who in turn can educate investors to make wise investment decision.

#### CONCLUSION

Today's financial world is highly complex when compared with that of a generation ago. Financial education is important to both the security of individuals and the security of nations. To the scheduled community people the financial literacy is very important to make efficient decision on their finance. The study shows that when compared to urban scheduled community people, the rural Scheduled community people have low level of awareness on finance related matters. To conclude, the government should literate the scheduled community people financially through the camp, seminars, and conference. Then only the scheduled community people can make their investment in an efficient manner.

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