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IMPORTANCE OF FINANCIAL EDUCATION IN USING VARIOUS FINANCIAL SERVICES: SOME SELECTED BANK CUSTOMERS OF DIBRUGARH TOWN

KEY WORDS: financial education, financial services, financial inclusion.**Dr. Sarat Borah***

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ABSTRACT

Financial education can be defined as the process by which financial knowledge and awareness of any individual can be increased. It is observed that most of the bank customers are not using most of the financial services offered by the banks. In the present context, with the increase in the financial services offered by the banks, it is very important to understand the relation between the financial services and financial education. It is a matter of concern that majority of the people in India, lacking financial knowledge and are not aware about the various services and benefits. Due to lack of financial knowledge, not only the financial market participation is low but also stands as a barrier in achieving the financial inclusion. This paper will be an attempt to study the importance of financial education and use of financial services.

INTRODUCTION:

Financial services is a term used to refer all those services that are provided by the banks or financial institutions. These not only include the primary functions but includes all other financial services like life insurance, general insurance, health insurance, accidental insurance, mutual fund, demat services, credit cards, loans, overdraft, services provided by the banks and other financial institutions.

Financial education can be defined as the process by which financial knowledge and awareness of any individual can be enhanced. "Financial education does not mean to gain knowledge relating to investments only. Financial education is the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources." For a develop economy it is very important that the people of the economy participate in the financial system. But mere opening an account in the bank cannot be termed as participation in the financial system, or financial inclusion, but for that each and every individual should be aware of the various financial services and must have an active participation in the financial system. It is observed that although the government have launched various schemes such as PMJDY, PMJJY, and PMJSY as the basic financial inclusion products such as bank accounts, life insurance, accidental insurance, mutual funds, demat services yet most of the people are not so financially educate to understand the various terms and conditions. Lack of financial knowledge not only deprived the needy from using various services but sometimes people are exploited. Thus all those issues are of much concern and that could be solved only by imparting more and more financial knowledge to the peoples. Even it is seen that the government have been doing much to make each and every person involved into the financial system, but imparting financial knowledge will make the people more motivated to take participate into the financial system.

Financial Services are generally not limited to the field of deposit-taking, loan and investment services, it is also present in the fields of insurance, estate, trust and agency services, securities, and all forms of financial or market intermediation including the distribution of financial products

Objectives of the study:

The objectives of the present study are-

1. To study the respondents awareness level of various financial services.
2. To examine the respondents holding pattern of financial services.
3. To highlight the importance of financial education in using various financial services

Statement of the problem:

Financial literacy is not same as general education. A well-educated person may also not be aware of various financial terms, products, financial services and the risk and return. The lack of

financial literacy stands as a barrier and the financial participation tends to be less. It is observed that the awareness about the products and the holding pattern differs greatly. This paper is an attempt to study the awareness level and the holding pattern of various financial services and also to study the reasons for non-participation.

Importance of the study:

For the development of a nation economically and socially, it is very important that the idle savings of the people must be properly utilized. This will be possible only when the tendency of the people are more in investment in various financial products rather than only in real estate. The study will not only help in analyze the awareness level and the holding pattern of various financial services of the people but also helps in study the importance of financial education in using various financial services. Further the study will help to change the mind-set of the people and start investing in various financial products.

Review of literature:

Agarwalla et al. (2013) studied the financial behavior of some working youths based on their dealings with money in day to day life. They studied the relationship between financial knowledge, financial behavior and financial attitude and found that adequate financial knowledge led to responsible financial behavior while the study showed negative relation between financial attitude and financial behavior. Further the study revealed that general education level have no impact on financial literacy.

Baluja (2016) in her study on financial literacy on women in India found that understanding of the world of finance is important so as to make better choices that are appropriate to their financial goals and needs. The study revealed that it is equally important for the women to be financially literate as it helps in economic growth, as well to be self-dependent. The study revealed that the financial literacy among the women is highly influenced by cultural, physical, psychological and financial barriers. In her study it was revealed that government has played an active role towards making women financially literate through various schemes. The study revealed that in the process of financial inclusion financial literacy is equally important.

Bhargava N.R (2016) in his study on financial literacy and financial education found that financial literacy is important to manage financial risk and avoid financial downfall. She observed that the level of literacy in India is very poor. She studied the need of financial literacy and observed that not only it helps the economy but also helps in taking financial decision and helps in empowering entrepreneurship. In her study she observed that gender, income and education have direct relation with the literacy level. In her study she also studied on the efforts taken by various regulatory bodies and found that sufficient efforts are taken by Reserve Bank of India, Stock Exchange Board of India, Insurance Regulatory and Development Authority of India, Pension Fund Regulatory and Development Authority, commercial banks and all are performing

an active role in providing financial education by providing awareness, counselling with the help of banking correspondents.

Kumar, S and Anees, Md. (2013) on their study on financial literacy and education found that financial literacy and education was very much relevant for emerging economic, financial well-being, and economic growth. Also it was found that financial literacy level greatly depends on income and educational level than social factors. Further their study revealed that positive role has been played by the different regulatory authority on financial education. Mandell L and Klein L.S (2009) studied the impact of financial literacy education and financial behavior on some graduates from same geographic location and same school system and data was collected through websites and to have a greater response rate an amount was paid for each completed questionnaire. They found that there was no impact on financial behavior even after taking personal financial course. Further the study revealed that positive financial behavior is related with only the full time college graduates by way of receiving additional personal finance.

Methodology:

Dibrugarh Town was purposively selected for the study. Data were collected from 100 bank customers' (respondents) of various occupation, such as, salaried people, businessmen, student, a housewife etc. Convenience sampling have been used to collect data from respondents. The primary data were collected through field survey with a well-structured questionnaire which was personally asked to the respondents by using the direct oral investigation method and responses were filled up in the questionnaire. In this study, 100 respondents residing in Dibrugarh town were interviewed. All the relevant collected data were further tabulated so as to make it meaningful and draw conclusions.

Period of the Study:

The study was carried out in the months of June and July, 2018

Importance of financial education:

Financial education is important as it helps to be aware of the various services and various terms and conditions of the services that are provided by the banks. For a better financial planning the awareness about the product is very much important and also it is important to know the various terms and conditions of the services, the charges imposed, the hidden cost so that the customers are not mis-sold.

Product awareness:

Product awareness is one of the major factor that will boost the use of various financial services. Unless people are made aware of the various financial services that are available to them with the terms and conditions related with the services, the risk and return, maturity, they will refrain from using the services due to its complex nature. Moreover, in order to achieve the goal of financial inclusion it is very important that people are made aware of the product available for investment. People should be made aware that even small savings can contribute to income earning investments. The more products people are aware of and the more they can be considered to be engaged with financial services. In this regard, awareness of financial products can be seen as an important indicator of the demand side factors influencing financial inclusion.

Product Holding:

Another important factor to be considered is the holding of the product. It is often seen that majority of the people are aware of the various financial products or services but yet most of them do not use the services due to various factors. And most of the reasons for not using the products or services are due to lack of financial knowledge about various products and services. Any financially literate person will always use various services to earn extra income. Further one should also have the knowledge of the product he holds, the risk, return, maturity, hidden cost, and the terms and conditions so that the investments are safe.

Awareness Level:

Table 1: Awareness level of some common types of financial Services

Common Financial Services	Yes	No
A savings account	100	0
A Current Account	98	2
A Fixed Deposit Account	100	0
A pension fund	86	14
A Provident Fund	73	27
A mortgage	71	29
A bank loan secured on property	65	35
An unsecured bank loan	56	44
A credit card	78	22
Life Insurance	100	0
General Insurance	100	0
Health Insurance	95	5
Mutual Fund	96	4
A microfinance loan	88	12
Stocks and shares	77	33
Bonds	63	37
Demat Account	63	37
Mobile Banking	92	8
Internet Banking	86	14
Prime Minister JeevanSurakshaYojana	69	31
Prime Minister JeevanJyotiYojana	63	37

Source: Field Study

Observation:

From table 1 it is observed that all the 100 respondents are aware about the savings account, fixed deposit account, life insurance and general insurance, but the awareness level towards some other financial services are low as it is observed that only 86 respondents are aware of pension fund, 73 respondents are aware of Provident Fund, 53 respondents are aware of an unsecured bank loan, 95 respondents are aware of Health Insurance, 96 respondents are aware of Mutual Fund, 88 respondents are aware of microfinance loan, 77 respondents are aware of Stocks and shares, 63 respondents are aware of Bonds and demat account. Moreover it is noticeable that only 92 respondents are aware of Mobile Banking, 86 respondents are aware of Internet Banking, and regarding the government schemes only 69 respondents are aware of Prime Minister JeevanSurakshaYojana, (Accidental death cum disable insurance scheme) 63 Prime Minister Jeevan Jyoti Bima Yojana (Life insurance scheme)

Holding pattern:

Table 2: Holding Pattern of the financial services

Common Financial Services	Awareness level (Table 1)	Holding Pattern
A savings account	100	100
A Current Account	98	28
A Fixed Deposit Account	100	82
A pension fund	86	39
A Provident Fund	73	43
A mortgage	71	12
A bank loan secured on property	65	56
An unsecured bank loan	56	22
A credit card	78	43
Life Insurance	100	86
General Insurance	100	77
Health Insurance	95	28
Mutual Fund	96	69
A microfinance loan	88	19
Stocks and shares	77	44
Bonds	63	54
Demat Account	63	23
Mobile Banking	92	53
Internet Banking	86	46
Prime Minister JeevanSurakshaYojana	69	20
Prime Minister JeevanJyotiBimaYojana	63	18

Source: Field Study

Observation:

From Table 2, it is revealed that all, i.e. 100 respondents are having savings account. It is observed that although the respondents are aware of the various other financial services the holding pattern is much low as compared. Out of 98 respondents who are aware, only 28 respondents are having current, out of 100 respondents only 82 having fixed deposit account, out of 86 respondents only 39 pension fund account, out of 73 respondents only 43 respondents are having Provident Fund, out of 71 respondents only 12 respondents are using mortgage, out of 65 respondents only 56 respondents are having bank loan secured on property, out of 56 respondents only 22 respondents are having an unsecured bank loan, out of 78 respondents only 43 respondents are having credit card, out of 100 respondents only 86 respondents are having Life Insurance, out of 100 respondents only 77 respondents are having General Insurance, out of 95 respondents only 28 respondents are having Health Insurance, out of 96 respondents only 69 respondents are having Mutual Fund, out of 88 respondents only 19 respondents are having microfinance loan, out of 77 respondents only 44 respondents are having Stocks and shares, out of 63 respondents only 54 respondents are having investment in Bonds, out of 63 respondents only 23 respondents are having Demat Account, out of 92 respondents only 53 respondents uses Mobile Banking services, out of 86 respondents only 46 respondents uses Internet Banking, out of 69 respondents only 20 respondents are having Prime Minister JeevanSurakshaYojana(Accidental insurance Scheme), out of 63 respondents only 18 respondents are having Prime Minister JeevanJyotiBimaYojana (life insurance Scheme)

Reasons of Not-Using the financial services

Table 3: Reasons for not using financial services

Reasons	Responses
Don't understand the technicalities (how it works, risk and return involved)	51
Do not think I need it	26
Cannot afford it	23
Total Responses	100

Observations: From Table 3 it is found that majority of the respondents (51 respondents), are not using various financial services as they don't understand the terms and conditions how it works and the risk and return involved, 2 respondents do not think they need it, 23 respondents revealed that they cannot afford it.

Findings:

The study was carried out in order to study the importance of financial literacy in using various financial services. Some of the major findings of the study are-

- It was found from the study that although majority of the people are aware of the various common financial services that are provided by banks but only the actual holding pattern or users of the services are very less as compared to the awareness level.
- Moreover it was found from the study that majority of the people uses various services that are recommended by the bank officials.
- It was also found from the study that having awareness of various services cannot be termed as financial literacy as majority of the respondents who are not using the services opt out the reason as they don't understand the technicalities due to its complex nature.
- The study revealed that financial education is a complete separate domain of knowledge, too use financial services it is important that peoples are financially literate.
- It was found from the study that 23 respondents are not able to use the financial services because they cannot afford it and 26 respondents are not using financial services as they think they don't need it. It revealed that lack of financial knowledge is one of the major reasons for not using the financial services.

Suggestions:

On the basis of the findings of the study, the following suggestions have been made:

- Due to lack of financial knowledge, majority of the people

associate the financial services with complicated paper works and complexity in their terms and conditions associated with it. Therefore it is suggested that steps should be taken by the bank officials to impart financial literacy to the people and motivate them to participate in the financial services.

- Majority of the people lacks the skills required to understand the concepts, therefore steps should be taken in order to impart the required skills.
- Financial services should be tailor made and financial advices must be provided for the best interest of the peoples so that they are motivated to participate in the financial market.
- It is suggested that educated youth and students should come forward and impart the financial knowledge and make them learn the importance of their participation and motivate them to use more financial services.
- It is seen that most of the bank officials' mis-sells various products exploiting the customers mainly due to lack of financial knowledge. It is suggested that proper steps should be taken in order curb the mis-selling.
- The study is confined to only 100 respondents residing in Dibrugarh town only and confined to some common financial services. It is suggested that study should be carried out increasing the scope and area so that the findings can be generalized more effectively.

CONCLUSION:

Financial literacy is a complete separate domain of knowledge. Even a highly educated person may be unaware regarding the financial services. Looking at the economy which is growing rapidly it is very important that people must invest a part of their savings into financial products. These participation will not only help the individuals to earn extra income but also boost the economy to grow. It is seen that majority of the people are aware of the various financial services that are available but most of them do not use the products. Again the majority of the people go for investment in real estate. This tendency of the peoples can be overcome only with proper financial education. People can be made more to participate in the economy through financial services only when they are made aware of the importance.

We can conclude that although people are educate with general education but imparting of financial education is much important as it will help greatly in the financial participation of the people and help the economy to grow.

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