



ORIGINAL RESEARCH PAPER

Commerce

FINANCIAL AWARENESS OF CUSTOMERS OF COMMERCIAL BANKS IN IDUKKI DISTRICT

KEYWORD:

Minija Abraham*

Assistant Professor, P.G. Department of Commerce, Govt. College, Kattappana, Kerala, India. *Corresponding Author.

Dr. Sheena Sasidharan V

Assistant Professor & Research Guide, NSS Hindu College, Changanacherry, Kerala, India.

ABSTRACT

In a developing country like India, financial awareness is treated as an essential element for economic upliftment. It helps to enhance the standard of living of the people. The present paper aims to assess the level of financial awareness of customers of commercial banks in Idukki District. The required data was collected through a structured questionnaire. Structural Equation Modelling was used for the analysis. The study concludes that the customers of commercial banks in Idukki District have financial awareness.

INTRODUCTION

Meaning of Financial Awareness:

Financial awareness is the ability to understand financial instruments and terms so that individuals can more prudently make financial decisions. Financial awareness also includes knowledge of financial markets, various financial institutions and financial products so that individuals can use it in planning and budgeting for both their personal and professional finances. Financial Awareness of banking products and services serve as the basis of financial planning for every individual. Financial planning can be seen as the process of taking necessary steps to make sure that individuals are capable to achieve their financial goals which they have planned and is geared up to deal with the contingencies as well (Shobha & Shalini, 2015). As far as Financial Literacy is concerned OECD defines it as "A combination of awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieving individual's financial wellbeing". However, every individual does not possess the same ability to plan their financial resources. There are several factors that actually influence the financial awareness among the people that includes gender, income level, education level, marital status etc.

SIGNIFICANCE OF THE STUDY

Financial awareness is the understanding and knowledge about financial products and services to enable participation in financial activities. Many authors pointed out the importance of financial awareness as a tool for financial inclusion. Thus it cannot be neglected in order to achieve true financial inclusion in any country. Besides, low level of financial awareness also hampers financial inclusion. Further the contribution of education cannot be overlooked to increase financial awareness. Studies pointed out that higher level of education reduces wrong choices of financial products. It is believed that in order to meet the targets of financial inclusion it is necessary to impart education and create financial awareness. Literate people make better financial decisions and manage their funds effectively. On the other hand lack of financial awareness leads to financial instability and indebtedness. Thus, education is the key to financial inclusion. The Government of India has adopted initiatives like the Financial Literacy Programme to increase financial inclusion. In this background, this study aims at evaluating the financial awareness of customers of commercial banks in Idukki District.

STATEMENT OF THE PROBLEM

The major economic policy of liberalisation, Globalisation and privatisation have resulted into the tremendous growth in

the availability of financial products of an individual's investment pattern. In the developing countries like India, financial awareness is treated as first step for financial inclusion. Financial literacy helps to improve the standard of living of people of the country. The Consumer Protection and Financial Literacy Project, a global initiative was taken in 2010 by the World Bank to help individuals in making correct choice among various financial products and services. Mainly Reserve Bank of India is continuously making efforts to create a financial awareness among the people of the country. The project called, "Project financially literacy" has been launched by RBI. The mode of information dissemination is through presentations, pamphlets, websites, films, etc.

Creating awareness by circulating pamphlets, comic books, by playing skits and plays, stalls in local fairs, exhibitions, participation in programs based on literacy or information organised by the press. Financial literacy Centres (FLCs) opened by many banks to spread financial awareness, information on financial products and to provide counselling facilities to banks customers. This study focuses on measuring the financial awareness among the customers of commercial banks in Idukki district.

OBJECTIVE OF THE STUDY

To analyse the financial awareness of customers of commercial banks in Idukki district.

RESEARCH METHODOLOGY

DATA COLLECTION

Both primary and secondary data were used for the study. Primary data were collected using structured questionnaire. Secondary data were collected from magazines, journals, web sites, etc.

UNIVERSE AND SAMPLE

The present study is limited to the geographical area of Idukki district in Kerala state. Multi stage Random Sampling method was used.

REVIEW OF LITERATURE

K. Khan (2015) investigated working women's level of awareness of financial products and their investment preference and test the strength of the relationship between their level of financial awareness and their investment preference through a weighted mean, Pearson's coefficient of correlation, and Spearman's rank correlation coefficient.

S. Hemalatha, S. Ganapathy & S Poongavanam (2020) investigated the association between demographical factors and financial literacy of the people of South Chennai. The Percentage method, Cross tabulation are used for the

analysis. The study concludes that the South Chennai people are poor in financial literacy level. Male have higher financial literacy when compared to female.

Garg Bhoomika (2019) attempted to extract the factors of financial awareness and then study the level of financial awareness among the selected slum dwellers of Delhi.

Reshma Rachel Kuruvilla & P N Harikumar (2018) examined the relationship between educational status of the entrepreneur and the marks scored in the test to measure financial knowledge was done using correlation coefficient. Author also made an attempt to know about the gaps in the financial literacy among women entrepreneurs to identify areas which need attention.

Arpana D & Gajendra Naidu (2020) studied changes in financial planning with change in age, analyse the investment habits & to examine the factors influencing the investment decision. The results of the study indicated Earlier trend of saving was in terms of physical assets but it has started to shift now to financial instruments. The level of awareness about financial planning is good in doctors and professors than the lawyers and engineers. Therefore, it can be concluded that financial planning has an effect on financial performance.

Dean Roy Nash (2012) financial literacy is nothing but knowledge about finance. The importance of financial education has improved in recent years due to the developments in financial markets as well as demographic, economic and policy changes. India is ranked number two in the list of highest financial literacy countries in the world.

Moreover booming economy and new horizon of hopes makes this study really significant. The Reserve bank of India, which is the central bank, has been actively participating in the field of eradicating financial literacy in the country. In this context a project called "Project financial literacy "has already been implemented. Financial literacy in India is on the positive side now. The survey conducted by The Financial Express shows that India has made rapid

DATA ANALYSIS AND INTERPRETATION

Demographic profile of the sample respondents reveals that both male and female respondents are there in the sample. They belong to the age groups below 20 years, 21-40 years, 41-60 years and above 60 years. The sample respondents have different educational qualifications such as non-matriculate, matriculate, graduate/post graduate, technical & professional qualification and others. The sample respondents belong to different occupations such as agriculture, business, govt. service, daily wages, housewife, private service, professional, NRI and retired & others. The sample respondents are categorised into different monthly income groups such as up to Rs.25000, Rs.25001 -50000, Rs.50001-100000 and above Rs.100000. Customers of public sector banks and private sector banks are included in the sample respondents. Respondents have different types of accounts such as Current account, Savings Bank account, FD/RD account, NRI account and Loan account. From different sources the sample respondents get awareness about the banking products and services.

The financial awareness is measured under various heads, viz, Attitude, Planning, Spending, Savings and Investing

Table 1 Convergent Validity And Reliability For Financial Awareness

Dependent Variable	Construct (Independent Variable)	Regression Coefficient	t	P	Variance explained (%)	AVE (in %)	Composite Reliability
Attitude	Dealing with money is stressful	0.211	4.332	<0.001	4.4	56.96	0.62
	Money is important to be happy in life	0.978	45.491	<0.001	95.7		
	Financially I like to live for today	0.165	3.368	0.001	2.7		
	Thinking too much about my long-term financial future makes me feel uncomfortable	0.932	33.842	<0.001	86.9		
	I like to stay informed about money matters and finance	0.975	44.183	<0.001	95.1		
Planning	Financial planning is important for those who have lot of money	0.379	8.067	<0.001	14.4	27.62	0.65
	I set long- term financial goals and I try to achieve it	0.561	12.828	<0.001	31.5		
	I have the ability and understanding to plan for my long-term financial future	0.574	13.216	<0.001	32.9		
	I believe in taking out insurance to be prepared for unexpected	0.504	11.217	<0.001	25.4		
	I have allocated income to meet future requirements like education, marriage etc....	0.565	12.946	<0.001	31.9		
	I budget my household expenses	0.545	12.362	<0.001	29.6		
Spending	I make day to day decisions about my money	1.118	29.198	<0.001	99.5	46.18	0.60
	I have a plan to manage my income and expenses	0.860	26.156	<0.001	74.0		
	I keep a record of my spending	0.081	1.642	<0.001	0.6		
	I tend to live for today and let tomorrow take care of itself	0.179	3.659	<0.001	3.2		
	Before I buy something I carefully consider whether I can afford it	-0.001	-0.020	<0.001	0.0		
	I keep a close watch on my financial affairs	1.104	30.408	<0.001	99.8		
Saving	I am disciplined at saving	0.079	1.601	<0.001	0.6	70.30	0.66
	I am more of a saver than an investor	0.935	34.314	<0.001	87.5		
	I always check my balances in my account	0.988	51.671	<0.001	97.7		
	I believe in saving a small amount regularly	0.977	45.037	<0.001	95.4		

Investing	I have the ability and understanding to invest money	0.745	19.448	<0.001	55.5	36.38	0.59
	I frequently invest money when I don't plan to buy anything	0.623	14.761	<0.001	38.8		
	I check the background information before invest	0.653	15.785	<0.001	42.6		
	I always monitor my investment	0.566	12.976	<0.001	32.0		
	I always try to spread my investments in various investment avenues	0.603	14.113	<0.001	36.4		
	I am not willing to take financial risk no matter whatever may be the gain	0.361	7.645	<0.001	13.0		

In this case the constructs having regression coefficient value less than 0.4 has no significant effect on dependent variable. Before doing further analysis we remove the construct which has no impact on dependent variables. We used Structural Equation Model to evaluate the impact of these constructs on financial awareness of customers. In other words we use SEM to test the hypothesis

- H1: Attitude has a positive influence on Financial awareness.
H2: Planning has a positive influence on Financial awareness.
H3: Spending has a positive influence on Financial awareness.
H4: Savings has a positive influence on Financial awareness.

H5: Investing has a positive influence on Financial awareness.

Table 2model Fit Indices For Cfa – Financial Awareness

	χ^2	DF	P	Norm ed χ^2	GFI	AG FI	NFI	TLI	CFI	RMR	RMS EA
Financial awareness	2.306	4	.680	.576	.998	.992	.994	1.011	1.000	.082	.000

All the attributes loaded significantly on the latent constructs. The value of the fit indices indicates a reasonable fit of the measurement model with data. In table 3 we present the regression coefficients

Table 3the Regression Coefficients – Financial Awareness

Path	Regression Coefficient	t	P	Variance explained	AVE (in %)	Composite Reliability
Attitude → Financial awareness	0.318	6.662	<0.001	10.1	37.2	0.68
Planning → Financial awareness	0.791	21.722	<0.001	62.6		
Spending → Financial awareness	0.651	15.715	<0.001	42.4		
Savings → Financial awareness	0.565	12.946	<0.001	31.9		
Investing → Financial awareness	0.625	14.827	<0.001	39.0		
A2 → Attitude	0.978	45.491	<0.001	95.6	92.6	0.67
A4 → Attitude	0.931	33.690	<0.001	86.8		
A5 → Attitude	0.976	44.601	<0.001	95.3		
P2 → Planning	0.573	13.185	<0.001	32.8		
P3 → Planning	0.594	13.829	<0.001	35.2		
P4 → Planning	0.498	11.055	<0.001	24.8	30.3	0.71
P5 → Planning	0.543	12.304	<0.001	29.5		
P6 → Planning	0.540	12.218	<0.001	29.1		
Sp1 → Spending	0.959	39.099	<0.001	92.0		
Sp2 → Spending	1.003	65.765	<0.001	100.5		
Sp6 → Spending	0.947	36.441	<0.001	89.8	94.1	0.67
Sav2 → Saving	0.935	34.314	<0.001	87.5		
Sav3 → Saving	0.988	51.671	<0.001	97.7		
Sav4 → Saving	0.977	45.037	<0.001	95.4		
Inv1 → Investing	0.748	19.585	<0.001	56.0		
Inv2 → Investing	0.648	15.610	<0.001	42.0	40.8	0.64
Inv3 → Investing	0.627	14.894	<0.001	39.4		
Inv4 → Investing	0.553	12.593	<0.001	30.5		
Inv5 → Investing	0.603	14.113	<0.001	36.3		

H1: Attitude has a positive influence on Financial awareness.
The results exhibited in Table 3 revealed that the regulatory construct Attitude has no significant influence on Financial awareness as the standardised direct effect of this construct on Financial awareness is 0.318, which is less than the recommended value of 0.4. So the hypothesis H₁ is rejected and concludes Attitude has no influence on Financial awareness.

H2: Planning Has A Positive Influence On Financial Awareness.
The results exhibited in Table 3 revealed that the regulatory construct Planning has significant influence on Financial awareness as the standardised direct effect of this construct on Financial awareness is 0.791, which is more than the recommended value of 0.4. So the hypothesis H₂ is accepted and concludes Planning has significant influence on Financial awareness.

H3: Spending Has A Positive Influence On Financial Awareness.
The results exhibited in Table 3 revealed that the regulatory construct Spending has significant influence on Financial awareness as the standardised direct effect of this construct on Financial awareness is 0.651, which is more than the recommended value of 0.4. So the hypothesis H₃ is accepted and concludes Spending has significant influence on Financial awareness.

H4: Savings Has A Positive Influence On Financial Awareness.
The results exhibited in Table 3 revealed that the regulatory construct Savings has significant influence on Financial awareness as the standardised direct effect of this construct on Financial awareness is 0.565, which is more than the recommended value of 0.4. So the hypothesis H₄ is accepted and concludes Savings has significant influence on Financial awareness.

H5: Investing Has A Positive Influence On Financial Awareness.

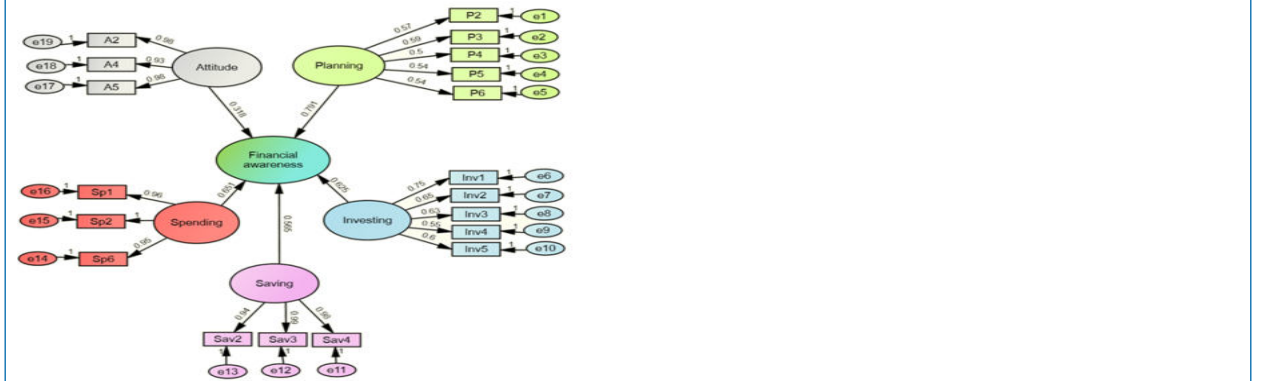
The results exhibited in Table 3 revealed that the regulatory construct Investing has significant influence on Financial awareness as the standardised direct effect of this construct on Financial awareness is 0.625, which is more than the recommended value of 0.4. So the hypothesis H₅ is accepted and concludes Investing has significant influence on Financial awareness.

From Table 3 The Regression Equation For Financial Awareness Is

$$\text{Financial awareness} = 0.318 \text{ Attitude} + 0.791 \text{ Planning} + 0.651 \text{ Spending} + 0.565 \text{ Savings} + 0.625 \text{ Investing.}$$

Based on the regression coefficient the most contributing factor to Financial awareness is Planning followed by Spending and investing. Saving and attitude comes in the fourth and fifth position.

Figure 1
Model Fit Indices For Cfa – Financial Awareness



CONCLUSION

To find the level of financial awareness of customers of commercial banks of Idukki district the respondents are asked 28 questions on five point Likert scale under various heads like Attitude, Planning, Spending, Saving and Investing. To test the hypothesis we use one sample Z test and the result is p value is more than 0.05 which indicates that the test is not significant. So we conclude that the level of financial awareness of customers of commercial banks of Idukki district is good.

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