



ORIGINAL RESEARCH PAPER

Commerce

A STUDY ON FINANCIAL BEHAVIOUR OF WORKING INDIVIDUALS IN SELECTED CITIES OF CENTRAL GUJARAT

KEY WORDS: Financial Inclusion, Financial Behaviour, and Financial Decision

Dr. Mitali Konnur

Assistant Professor, Subject: Commerce, St. Xavier's College Ahmedabad, Gujarat

Dr. Kinjal Mistry

Assistant Professor, Subject: Commerce, St. Xavier's College Ahmedabad, Gujarat

ABSTRACT

The financial behaviour contribution to the society as well as in the economy of any country is remarkable. Till the date financial knowledge amongst the men and women are the most discussed issue for self-development. Time and scenario are rapidly changed where only literacy is not sufficient but financial literacy is playing vital role when talking about women empowerment. So many working Individuals are serving on the highest position of many financial institutions. Financial behaviour refers to the set of skills, belief and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. Working Individual often have lower financial knowledge either lower interest and access to formal financial products than men. Such gender disparity curbs the extent to which working Individual can enhance their knowledge and skills about economic and financial issues. This paper highlights the need to bridge the financial behaviour and foster confidence in their financial skills, thereby augmenting development.

1. INTRODUCTION

India has considered as most emerged country yet least financially literate. Indians were ranked low for several reasons, including the lack of household budgets, money management discussions with family members, financial education or an understanding of money management and its basics. One of the surveys said that Indian families discuss money matters including budgeting, saving and responsible spending habits with their children only just 10 days per year. Many people did not understand basic difference between financial inclusion and financial behaviour. It is very easy to give advice on financial planning but very difficult to understand personal money management among men and women both. As per statistics women and men said they did not understand well enough to discuss the person management with their children. Financial literacy means possessing one's ability and knowledge to understand how money has earned, saved and invested again. A financially literate person knows the importance of diversifying risk of losing their money, may be compound interest, and what the impact of inflation is. A lack of understanding and approach towards learn the things of these makes one financially illiterate. A financially illiterate person becomes easily victim to frauds and scams.

1.1 Financial Behaviour

The financial Behaviour is very wide subject and includes the following parameters such as financial knowledge, financial behaviour and financial attitude. The basic meaning of the financial literacy is linked with the knowledge and understanding of financial products and also the risk and the returns associated with it their in. As per Reserve Bank of India, "Financial behaviour can broadly be defined as the capacity to have familiarity with an understanding of financial market products, especially reward and risks in order to make informed choices".

1.2 Importance Of Financial Behaviour Among Working Individuals

Consumers who fail to understand the concept of compounding interest spend more on transaction fees, may run up bigger debts, and incur higher interest rates on loans (Lusardi and Tufano, 2009; Lusardi and de Bassa Scheresberg, 2013). The consumers need to be financially literate for which they need to understand the financial world and make well-informed decisions that will be profitable for them. Moreover, there are several theoretical arguments that support that women should be financially literate to take rationale financial decisions.

- **Longer Life Expectancy:** Hence, it is essential that Working Individual should develop an in-depth understanding about the concept of financial planning and investment avenues to protect they're from the financial challenges she may face in the future. It has been observed, in US and cross-national research in developed countries that older single women continue to be is proportionately poor as compared with older single men and older married couples. Hence, lack of knowledge can be more costly for women because they tend to live longer (Wall Street Journal).
- **Economic Growth:** The nation's overall development needs working class involvement as investors as well which will enhance the liquidity in any the market and will have scope of trade to boost up the economy.
- **Self-Independent:** It is essential for working Individual to acquaint themselves as financial independent with the finance world. This will lift up their status and presence in the society as they will match up with the male section of the society as far as financial decisions and independence are concerned.

1.3 Problems With Financial Behaviour

- **Falling Prey To Ponzi Schemes:** These are collective investment schemes which promise either misguided to give sky-high returns in a short span of time. It pays returns to existing investors out of money collected from new investors instead of paying out of profits. The Saradha Chit Fund Scam, Sahara Scam, etc. are classic examples. Financial illiteracy and insufficient knowledge with greed make individuals put whole life savings in these schemes.
- **Choosing Wrong Products:** Due to financial illiteracy, individuals avoid the risk-return-liquidity aspect while investing. Most of the times they are dependent for decision on friends or family or to fulfil immediate tax-saving needs. As a result, they digress and stay away from personal financial planning goals. Ultimately, the money gets blocked and chance of higher risk in unproductive investments.
- **Lack Of Clarity Between Saving, Investment & Insurance:** Financially illiterate people can't differentiate between saving, investment & insurance. They get fooled due to their financial illiteracy by the marketing gimmicks of agents. They buy insurance with an investment and fail in both aspects. Neither they get reasonable Return on Investment nor do they get sufficient cover of all risk.

2. Literature Review

According to Hung et al., (2012) in their study on gender

differences regarding financial behaviour, women's financial knowledge is worse than that of men and they are less confident in financial skills. The fact has been accepted globally that empowering women with financial knowledge has become a necessity now, given the poor status of women in the country, so that both genders can be at par. Recently, OECD and its International Network on Financial Education (INFE) also emphasized the need to promote financial literacy as part of their financial education strategies.

Working Individuals are considered as financially literate and have positive financial attitude. In today's world, Individuals are also consuming financial products and services independently as well as in conjunction with the family members, partner and spouses (Zinman 2009). This increased participation of working class in financial decision is not astonishing because of the recent revolution in socio-economic level, family, demographics and economic lives of women in the last 50 years (Goldstein, 2008).

3. Research Methodology

Single cross sectional descriptive research design method is used for this study. A total of 120 working Individuals participated in the present study from Ahmedabad city. Samples were selected on the basis of convenience sampling method. Data were collected from primary and secondary sources. Secondary data were collected from books, journals, newspaper internet source etc., Structured Questionnaire was administered to respondents to get primary data. Financial Behaviour measured through the questionnaire. Research instrument measured the three aspects i.e., financial knowledge, financial behavior and financial attitude.

4. Data Analysis

Characteristics for the respondents show that the respondents of our questionnaire are working Individuals having age below 35 (i.e., 55%), have the education level up to the graduation (i.e., 75%), Married (61%) and have the work experience of 2-7 years (66%).

4.1 Financial Knowledge

Financial knowledge implies that Working Individuals are able to make rational choice among different financial alternatives based on their inclusive knowledge of everyday financial matters. The level of financial knowledge of the working women is assessed using a series of eight questions by examining their familiarity with simple and compound interest, basic principles of savings and investment, the impact of inflation on price and risk-return relationship etc.

4.2 Financial Behaviour

The survey also attempts to capture the financial behaviour of the working Individuals in the way they handle their personal finances. For this purpose, respondents were asked eight questions in total to understand the important dimensions about how women behave while handling with money in their daily lives.

The table depicts financial behaviour of Working Individuals suggesting that most of the respondents are engaged in positive financial behaviour when dealing with money and household finances. It can be clearly seen that around 75% of the individuals keep watching on financial affairs and 70% of the individuals manage all in household budget. They focusing on the active saving more but half of the Individuals cannot think about the long-term financial goal setting. Despite of this good financial behaviour still more than half of the working Individuals don't pay bills timely.

4.3 Hypothesis Testing

H0: There is no significance difference between financial behaviour and financial knowledge of working Individuals.

H1: There is a significance difference between financial

behaviour and financial knowledge of working Individuals.

Table: Financial Knowledge and Financial Behaviour					
Financial Knowledge	Time Value of Money	35.10%	Financial Behavior	Household budget	69.90%
	Interest paid on loan	35.10%		Active saving	64.90%
	Interest plus principal	64.90%		Considered Purchase	55.20%
	Compound interest	35.10%		Timely bill payment	45.20%
	Risk and return	40.20%		Keep watching on financial affairs	74.90%
	Inflation	54.80%		long term financial goal setting	54.80%
	Diversification	54.80%		Product awareness	59.80%
	Division	70.30%		Borrowing to make ends meet	64.90%

ANOVA test having the p-values 0.05975 is higher than the significance value 0.05. Therefore, H0 is failed to reject. So, difference between financial behaviour and financial knowledge of working Individuals are not significant.

5. CONCLUSION

This study concludes that Working Individuals are unaware of the basic money management principles also in their everyday life. Basic knowledge of the interest, compound interest and time value of money is very low amongst the working Individuals. Concept of Risk and return, inflation and diversification are also not widespread among the working Individuals. This study also concludes that most of the respondents are engaged in positive financial behaviour when dealing with money and household finances. It can be clearly seen that around 75% of the Individuals keep watching on financial affairs and 70% of the Individuals manage all in household budget.

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