



# FINANCIAL LITERACY: AN EMPIRICAL STUDY OF THE ADULTS IN LUCKNOW REGION

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**Abstract:** The present study is an attempt to analyse the level of financial literacy among the adults in Lucknow region. The study is based on survey and data has been collected from 370 respondents with the help of structured questionnaire. The independent sample test has been used to test the hypothesis. Based on findings, it can be concluded that only 30 percent adults had high level of financial literacy while rest had moderate and low level of financial literacy. The results exhibit that the level of financial literacy varies significantly among the adults of Lucknow region.

**Keywords:** Financial literacy, Demographic and socio-economic factors, Independent sample test, Lucknow region.

## INTRODUCTION

Financial literacy is the foremost priority for the developed and developing countries but it is more crucial in developing countries like India where most of the people find financial literacy beyond comprehension. Individuals of developing countries are unable to show the deep understanding of issue related to finance. Financial literacy helps individuals to understand the financial matters and avoid financial difficulties.

Financial literacy is helpful in improving the level of understanding related to financial aspects which enables individuals to manage their personal finance efficiently and it also develop the skills for better financial planning. Financial literacy provides in-depth knowledge on financial education that is necessary for achieving the growth and success.

In India, recently the Reserve Bank of India (RBI) released the second “National Strategy for Financial Education” for the period 2020-2025, for achieving the vision of creating a financial awareness and empowered India. This document has been prepared by National Centre for Financial Education (NCFE) in consultation with all the financial regulators i.e. RBI, SEBI, IRDAI and PFRDA. The strategy aims at inculcating financial concept among the individuals and encourage their activities related to saving behaviour and boost participation in financial market.

Overall financial literacy is indispensable for the emerging economies. All economies are trying raise the financial status of their counter men by improving economy. The enhancement of financial literacy would help individuals to improve their financial wellbeing through sound financial decisions.

## REVIEW OF LITERATURE

Volpe, R.P. et.al. (2002) explained investment literacy and relationship between investment literacy and online investor characteristics. The findings suggest that literacy of online investors are not sufficient and

needs to be improve. In addition, the result also find variation in investment literacy based on socio-demographic variables such as education, online trading experience, age, income and gender.

Al-Tamimi, H.A.H. and Kalli, A.A.B. (2009) assessed the financial literacy of UAE individual investors and also examined the relationship between financial literacy and influencing factors. The findings exhibit that financial literacy level is far from desired level among the UAE individual and it is affected by gender, income, education and work place activity and it does not affected by age factor.

Seth, P. et al. (2010) assessed the level of financial literacy and also identified the relationship between financial literacy and other factors i.e. age, gender, education, income. The result indicate that financial literacy level of investors was different when they dealing with different financial instruments. The financial literacy level is affected by age, income and education level of respondents.

Ravikumar, T. (2013) identified the perception of Indian people related to financial literacy based on different factors. The result suggest that financial literacy level is linked with age, religion, education, number of dependents, occupations, place of living, residential status and income where as it does not linked with gender and marital status.

Sarigul, H. (2014) identified the level of financial literacy among university student and also find the relationship between financial literacy and student characteristics. The survey was conducted among the 1127 students from three university of Konya city, Turkey. The results founds the significant relationship between financial literacy student characteristics i.e. gender, field of study, type of residence, class rank, work status, parents' education and students' business or economics educations. Findings also suggests that universities students need to improve their personal financial knowledge.

Barboza et al. (2014) examined the effect of gender and academic performance differences on overall financial literacy of 380 college students from Pennsylvania state system of Higher Education University. The data was analysed by series of probit and ordered probit models it indicate that academic performance and gender are significant determinants in observed differences across individuals relating to their financial literacy. The result indicate that females are less financial literate than males. Result also identified a strong positive relationship in favour of those holding highest academic performance to demonstrate a significantly much higher level of financial literacy. Moreover, people report higher level of self-assessed financial literacy vis-a-vis actual financial literacy.

Bushan, P. (2014) identified the level of financial literacy among the salaried individuals of Himanchal Pradesh. Study also demonstrate the effect of various socio-demographic variable on financial literacy level. The result indicate that financial literacy level is not very high among the salaried individuals. Financial literacy is affected by gender, education, income and place of work and it does not affected by age, marital status, nature of employment and geographic region.

Thapa, B. S., and Nepal, S. R. (2015) examined the effect of demographic, educational and personality characteristics on financial literacy. The survey was conducted among 436 college students from four leading universities of Nepal. The result exhibited that most of the student have basic level of financial knowledge but they lack in understanding of credit, taxes, share market, financial statements and insurance. Students are highly influenced by their parents and they have positive attitude towards the savings. Result also disclosed that age, income, education, college and attitude of the students are determinants of financial knowledge. Financial knowledge is unaffected by gender, financial behaviour and influence.

## **OBJECTIVE**

The objective of the study is

- To check the level of awareness of financial literacy in Lucknow region.
- To determine the relation between financial literacy and selected socio-demographic factors.

## **HYPOTHESES**

H<sub>0</sub>1: There is no interrelation between gender and financial literacy level of adults.

H<sub>0</sub>2: There is no interrelation between age and financial literacy level of adults.

H<sub>0</sub>3: There is no interrelation between marital status and financial literacy level of adults.

H<sub>0</sub>4: There is no interrelation between religion and financial literacy level of adults.

H<sub>0</sub>5: There is no interrelation between education and financial literacy level of adults.

H<sub>0</sub>6: There is no interrelation between income and financial literacy level of adults.

H<sub>0</sub>7: There is no interrelation between employment status and financial literacy level of adults.

## **RESEARCH METHODOLOGY**

The present study adopted a survey method for conducting research among the adults of Lucknow region in Uttar Pradesh. The primary data was collected from the respondents by using a questionnaire. The research responses used Likert scale for collecting the responses. The Random sampling has been used in order to get information from the population. Total 370 respondent constitute a sample for the study. The

hypotheses of the study has been tested with the help of independent sample test by using SPSS 21 software application.

## DATA ANALYSIS

**Table 1: Profile of the respondents**

Variables	Category	Frequency	Percentage
Gender	Male	194	52.4
	Female	176	47.6
Age	18-30	135	36.5
	31-40	86	23.2
	41-50	72	19.5
	51-60	57	15.4
	More than 60	20	5.4
Marital status	Single	123	33.2
	Married	247	66.8
Religion	Hindu	276	74.6
	Muslims	46	12.4
	Sikh	29	7.8
	Other	19	5.1
Education	No education	8	2.2
	Primary	13	3.5
	Secondary	18	4.9
	Higher secondary	53	14.3
	Graduation	160	43.2
	PG or above	118	31.9
Income	Less than 2 lakhs	78	21.1
	2-4 lakhs	93	25.1
	4-6 lakhs	92	24.9
	6-8 lakhs	62	16.8
	More than 8 lakhs	45	12.2
Employment Status	Government	112	30.3
	Private	102	27.6
	Business	58	15.7
	Not working	98	26.5

Source: Primary data

After analysis of Table 1, the descriptive statistics showed that respondents consist of 52.4% male and 47.6% female with the total of 370 respondents. Respondent age ranged from 18 to more than 60 years. Out of total sample 33.2% respondents are single while 66.8% are married. In the sample 74.6% respondents belongs to Hindu community, 12.4% respondents are from Muslim community, 7.8% are from Sikh community and rest from the other communities. Besides that, respondent educational background come with variety of categories such as No education, Primary, Secondary, Higher secondary, graduation and PG or above which represents 2.2 %, 3.5 %, 4.9 %, 14.3%, 43.2% and 31.9 % respectively. Respondents in sample fall in five different categories of income. Respondents i.e. 21.1% respondents earn less than 2 lakhs, 25.1% respondents earn 2 to 4 lakhs annually, 24.9% respondents earn 4 to 6 lakhs, 16.8% respondents earn 6 to 8 lakhs and only 12.2 % respondents earn more than 8 lakhs. Sample consist of 30.3% respondents working in government sector, 27.6% respondents are working in private sector, 15.7% respondents are doing own business and rest of 26.5% respondents are not working.

**Table 2: Level of financial literacy**

Level of financial literacy	Frequency (Percentage)
Low level	17 (4.6%)
Moderate level	242 (65.4%)
High level	111(30%)

Source: Primary data

Table 2 shows the categorisation of respondents according to their financial literacy level. Financial literacy scores are divided in to three level consist of low level, moderate level and high level of financial literacy. Result exhibit that 4.6% (17) respondents have low level of financial literacy, 65.4% (242)

respondents have moderate level of financial literacy and 30% (111) respondents have high level of financial literacy.

**Table 3: Mean value and test value of financial literacy**

Variables	Total sample	No. of respondents	Financial literacy Mean value	Independent sample test	
				Test value	Significance
Gender	Male	194	189.48	-.751	<b>.453</b>
	Female	176	181.12		
Age (years)	18-30	135	175.66	22.663	.000
	31-40	86	201.94		
	41-50	72	221.51		
	51-60	57	163.59		
	More than 60	20	114.08		
Marital status	Single	123	173.27	-1.553	<b>.120</b>
	Married	247	191.59		
Religion	Hindu	276	184.43	3.137	<b>.371</b>
	Muslims	46	184.08		
	Sikh	29	215.31		
	Other	19	163.16		
Education	No education	8	61.13	41.103	.000
	Primary	13	72.19		
	Secondary	18	104.36		
	Higher secondary	53	188.75		
	Graduation	160	194.02		
	PG or above	118	205.78		
Income	Less than 2 lakhs	78	156.76	16.684	.002
	2-4 lakhs	93	166.45		
	4-6 lakhs	92	197.61		
	6-8 lakhs	62	210.06		
	More than 8 lakhs	45	214.44		
Employment status	Government	112	236.65	38.886	.000
	Private	102	175.29		
	Business	58	155.40		
	Not working	98	155.48		

Source: Primary data

#### **Interrelation between gender and financial literacy level**

The table 3 describe the mean value of male (189.48) and female (181.12) related to financial literacy. The result exhibit that male are more financial literate than female. From the table it can be seen that the test value is 0.453 which is larger than 0.05. Therefore, the null hypothesis is accepted and conclude that the financial literacy level and gender are not interrelated to each other.

#### **Interrelation between age and financial literacy level**

The table 3 describe the mean value of financial literacy of different age group. The mean financial literacy value is highest related to age group 41-50 (221.51) and lowest to the age group "more than 60" (114.08). From the table it can be seen that the test value is 0.000 which is less than 0.05. . Therefore, the null hypothesis is rejected and conclude that the financial literacy level and age of the adults are interrelated to each other.

#### **Interrelation between marital status and financial literacy level**

The table 3 describe the mean value of financial literacy of married (191.59) and single (173.27) respondents. The table shows that the financial literacy level of married respondents are more than single respondents. From the table it can be seen that the test value is 0.120 which if larger than 0.05. Therefore, the null hypothesis is accepted and conclude that the financial literacy level and marital status of adults are not interrelated to each other.

#### **Interrelation between religion and financial literacy level**

The table 3 describe the mean value of financial literacy of adults related to different religion. Sikh (215.31) adults are more financial literate as compare to other and it is followed by Hindu (184.43). From the table it can be seen that the test value is 0.371 which if larger than 0.05. Therefore, the null hypothesis is accepted and conclude that the financial literacy level and religion of adults are not interrelated to each other.

### Interrelation between education and financial literacy level

The table 3 describe the mean value of financial literacy of different educational background. "PG or above" group adults (205.78) are more financial literate as compare to other. From the table it can be seen that the test value is 0.000 which if less than 0.05. Therefore, the null hypothesis is rejected and conclude that the financial literacy level and education of adults are interrelated to each other.

### Interrelation between income and financial literacy level

The table 3 describe the mean value of financial literacy of different income group. The table describe that higher income group people are more financial literate than other income group. From the table it can be seen that the test value is 0.002 which if less than 0.05. Therefore, the null hypothesis is rejected and conclude that the financial literacy level and income of adults are interrelated to each other.

### Interrelation between employment status and financial literacy level

The table 3 describe the mean value of financial literacy of different employment group. The table describe that Government employees are more financial literate than other adults. From the table it can be seen that the test value is 0.000 which if less than 0.05. Therefore, the null hypothesis is rejected and conclude that the financial literacy level and employment status of adults are interrelated to each other.

## SIMPLE LINEAR REGRESSION MODEL FOR PREDICTING THE FINANCIAL LITERACY

**Table 4: Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.474	.224	.207	.08929

The table 4 shows that the R Square (coefficient of determination) is 0.224, this indicate that our independent variables i.e. Gender, Age, Marital status, Religion, Education, Income, Employment status causes 22.4% change in the dependent variable i.e. Financial Literacy.

**Table 5: ANOVA Table**

Model		Sum of Squares	df	Mean Square	F	Significance
1	Regression	.833	8	.104	13.057	.000
	Residual	2.878	361	.008		
	Total	3.711	369			

The table 5, ANOVA result shows that the P-value is .000 which is less than 0.058. Therefore, we can say that the overall regression model is significant. {F [8,361] = 13.057, P<0.05}

**Table 6: Coefficient Table**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Significance
	B	Std. Error	Beta		
Constant	.573	.042		13.603	.000
Gender	-.009	.010	-.047	-.980	.328
Age	-.016	.006	-.204	-2.864	.004
Marital Status	.012	.015	.057	.822	.412
Religion	.007	.006	.056	1.099	.272
Education	.027	.005	.304	5.499	.000
Income	.009	.004	.121	2.394	.017
Employment Status	-.014	.005	-.166	-3.129	.002

The table 6 shows the coefficient result of regression model. The result describe that four variables are statistically significant ( $P < 0.05$ ). They are Age, Education, Income, Employment status. This indicate that financial literacy depends on Age, Education, Income and Employment status.

## RESULT AND DISCUSSION

- 1 Financial literacy level among adults is not good. Most of the people have moderate level (65.4%) of financial literacy only 30 % people have high level of financial literacy.
- 2 Male are more financial literate than that of female. The difference between male and female is not statistically significant.
- 3 The financial literacy level is higher in age group 41-50. The result shows that the difference is statistically significant. Therefore financial literacy level and age of the respondents are interrelated to each other.
- 4 Married respondents are more financial literate as compared to single. The result shows that the difference in adults' financial literacy level based on marital status is not statistically significant.
- 5 Financial literacy level is based on religion of adults. The Sikh are more financial literate and it followed by Hindus. The result shows that the difference in individual financial literacy level based on religion is not statistically significant.
- 6 Education of the respondents are positively correlated with financial literacy level. The result indicate that increase in education level with increase in financial literacy level of adults. The result also statistically significant.
- 7 The income of respondents is positively correlated with the level of financial literacy. The result exhibit that financial literacy level is increase with increase in income level. The result also statistically significant.
- 8 The adults are working in Government job are more financially literate as compared to individuals those are working in other area i.e. job, business and not working.
- 9 The result of simple regression model also support the hypothesis of the study. Age, Education, Income, Employment status are statistically significant and gender, marital status and religion are not statistically significant in correlation table.
- 10 The result of ANOVA shows the overall model is good and coefficient of determination is 0.224, this indicate that our independent variables causes 22.4% change in the dependent variable.

## CONCLUSION

This research paper examines the financial literacy level and its socio-demographic determinants among the adults. The findings suggests that individuals financial literacy level varies significantly based on various socio-demographic variables. The result also describes that financial literacy level is associated with age, education, income and employment status of the individuals and it does not associated with gender, religion and marital status. Overall it can be concluded that financial literacy level of adults are unacceptable and people are not familiar about their financial issues. Therefore, it is pivotal to take action toward the improvement of financial literacy of the individuals by the policymakers in India.

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