

An Assessment of Financial Knowledge with special reference to Coimbatore city

Dr.K.Vidyakala¹

Assistant Professor

G.Iswarya Rani²

Research Scholar

Abstract:

Financial Knowledge is the knowledge of basic concepts of finance which is required for financial decision making. The present study was conducted among 123 respondents of different demographic groups. The results shows financial knowledge is gained mainly through media and friends and family are the main source of financial information.

Key words: Financial knowledge, Financial Information and financial decision making.

Introduction:

Financial literacy is knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life (OECD 2012). Financial literacy is a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing Messy (2012).

The first dimension of financial literacy is financial knowledge which includes basic knowledge of key financial concepts (Chardin, 2011). Financial knowledge component measures understanding of interest calculations, relationship between inflation and return, inflation and prices, risk and return, and the role of diversification in risk reduction (Agarwalla 2012). Bernheim (1995) was the first to point out that many households lacked basic financial knowledge.

Review of literature:

Choi (2009) examined the relationship between bank account holders and knowledge of personal finance among 6,856 observations. The study resulted that parents encourage the use of financial services and male students are knowledgeable than female students. The research suggested that financial education can be in interactive by applying skills and knowledge.

Loncar and Golemac (2014) analysed the level of financial knowledge at the Department of Economics and Business Economics of the University of Dobrovnik among 233 students. The research showed that economic education has a positive impact on financial knowledge. They also

¹ Assistant Professor, Department of Business Administration, PSGR Krishnammal College for Women

² Research Scholar, Department of Business Administration, PSGR Krishnammal College for Women

suggested introducing financial programme in university course will improve the overall financial status of the economy.

Lusardi (2010) studied the causes of financial crisis and financial capability and found that the level of financial knowledge is unusually low and also there was a difference between how much they think they know and how much they actually know. It was a great shock that the individuals don't plan for their retirement and also unknowingly they have used high cost borrowing methods.

Objective of the study:

- To identify the source of financial knowledge
- To identify the source of financial information
- To analyse the awareness of financial products and financial terms.

Statement of the problem:

A person's ability to manage his personal finance has become an important issue in today's world. People now-a-days are looking at different aspects of their financial affairs. The study was taken to identify the major sources of financial information, awareness of financial terms, financial products and source of financial literacy.

Research design:

Primary data collection was done through survey method using a well structured questionnaire. The Sample Size of 123 respondents in Coimbatore was chosen thro convenience sampling method. Percentage analysis, descriptive statistics, Friedman Test and chi-square were used for the analysis through SPSS software.

Analysis and Interpretation:

Percentage Analysis

Table 1: Demographic profile of respondents

Demographic Factors	Classifications	Frequency	Percent
Area of Residence	Urban	85	69.1
	Semi-urban	29	23.6
	Rural	9	7.3
	Total	123	100.0
Gender	Male	51	41.5
	Female	72	58.5
	Total	123	100.0
Age	18yrs-25yrs	19	15.4
	26yrs-35yrs	31	25.2
	36yrs-45yrs	21	17.1
	46yrs-55yrs	29	23.6
	56yrs & above	23	18.7
	Total	123	100.0
Marital Status	Single	34	27.6

	Married	89	72.4
	Total	123	100.0
Nature of family	Nuclear	91	74.0
	Joint Family	32	26.0
	Total	123	100.0
Number of Dependents	Less than 3	39	31.7
	3-5 members	70	56.9
	6 & above	14	11.4
	Total	123	100.0
Educational Qualification	Primary level (under 8th std)	2	1.6
	Secondary level (8th - 10th std)	12	9.8
	Higher secondary (11th & 12th)	5	4.1
	Under graduate	42	34.1
	Post graduate	46	37.4
	Professional	9	7.3
	Others	7	5.7
	Total	123	100.0
Demographic Factors	Classifications	Frequency	Percent
Current Status	Self employed	11	8.9
	Working full time	57	46.3
	Home maker	19	15.4
	Student	22	17.9
	Unemployed	10	8.1
	Retired	4	3.3
	Total	123	100.0
Source of Income	Parental income	47	38.2
	Personal income	76	61.8
	Total	123	100.0
Monthly Income of the Family	Below Rs.10000	11	8.9
	Rs.10001 - Rs.20000	23	18.7
	Rs.20001 - Rs.30000	15	12.2
	Rs.30001 - Rs.40000	23	18.7
	Rs.40001 - Rs.50000	24	19.5
	Above Rs.50001	27	22.0

Source: Primary Data

Majority of the respondents 69.1% are from urban area, 58.5% are female, 23.6% belong to the age group of 46-55 years, 72.4% are married, 74% live in nuclear family setup, 56.9% have 3-5 dependent family members, 37.4% are postgra

duates, 46.3% work full time, 61.8% have personal income and 22% have a monthly income of above Rs. 50001.

Table 2: Level of Financial knowledge

Level of Financial knowledge		
	Frequency	Percent
Very high	9	7.32
High	39	31.71
Neutral	61	49.59
Low	13	10.57
Very low	1	0.81
Total	123	100

Source: Primary Data

Out of 123 respondents 7.32% possess very high financial knowledge, 31.71% possess high financial knowledge, 49.59% are neutral in their opinion about financial knowledge, 10.57% possess low knowledge and remaining 0.81% very low level of financial knowledge.

Table 3: Channel for financial advice

Channel for financial advice	Frequency	Percent
Commercial banks	17	13.8
Insurance companies	10	8.1
Non-governmental organisation	3	2.4
Government entities	19	15.4
Independent financial consultancies	9	7.3
Mass Media(Print & TV)	58	47.2
Others	7	5.7
Total	123	100.0

Source: Primary Data

Out of 123 respondents 14% use commercial banks, 8% use insurance companies, 2% use non-government organisations, 15% use government entities, 7% use financial consultancies, 47% use mass media and remaining 7% use other sources for receiving financial advices on financial literacy.

Descriptive Analysis

Table 4: Descriptive statistics Financial Products

Factors	Classification	N	Minimum	Maximum	Mean	Std. Deviation
Financial Products	Stock market	123	1.00	3.00	2.3821	.75227
	Bonds	123	1.00	3.00	1.9512	.71119
	Asset Portfolio	123	1.00	3.00	2.0813	.80565
	Insurance	123	1.00	3.00	2.5041	.68202
	Retirement plans	123	1.00	3.00	2.2927	.79684
	Banking services	123	1.00	3.00	2.6829	.54798
	Postal services	123	1.00	3.00	2.4146	.70043

Source: Primary Data

From the above table it is found that respondents' level of awareness is high for the banking services with the mean of 2.6829 and level of awareness is low for bonds with the mean of 1.9512 among the financial products.

Table 5: Descriptive statistics Financial Terms

Factors	Classification	N	Minimum	Maximum	Mean	Std. Deviation
Financial Terms	Present value of money	123	1.00	3.00	2.4634	.72759
	Inflation/deflation	123	1.00	3.00	2.3333	.80640
	Portfolio Management	123	1.00	3.00	1.9837	.71269
	Risk-return	123	1.00	3.00	2.1870	.77194
	Initial public offer/secondary market	123	1.00	3.00	2.0081	.68348
	Valid N (listwise)	123				

Source: Primary Data

From the above table it is found that respondents' level of awareness is high for the present value of money with the mean of 2.6829 and level of awareness is low for bonds with the mean of 1.9512 among the financial products.

Table 6: Ranking on the sources of finance

Sources	Mean Rank	Rank
Friends and Family	5.09	I
Employees of Financial Institution	4.71	III
Financial Consultant	4.00	VIII
Advertisement (Visual & print)	4.28	VI
Media Programmes specializing financial issues	4.45	V
Specialized websites	4.12	VII
Financial course/Workshop/seminar	4.73	II
Others	4.62	IV
Chi square : 18.45 Sig : 0.01		

Source: Primary Data

From the above table it is found that respondent's friends and family are the major source of financial information provider with the mean of 5.09 and the least is through financial consultants with the mean of 4. There is a significant difference in choosing the sources of financial knowledge that influences the decision making.

Table 7: Percentage Analysis on advice from financial Professionals

Advice from financial professional		
	Frequency	Percent
Yes	50	40.7
No	73	59.3
Total	123	100.0

Table 8: Ranking on the services of financial advice

Services	Mean Rank	Rank
Debt counselling	3.24	I
Savings or Investments	2.99	II
Taking out mortgage or loan	2.99	II
Insurance of any type	2.89	III
Tax planning	2.89	III
Chi square : 10.35 Sig : 0.03		

Source: Primary Data

Out of 123 respondents 73 % of respondents don't approach the financial professional for financial advice and only 40.7% of them approach financial advisor. Among services the respondents approach to financial consultant for Debt counselling is more with the mean of 3.24 and least approach for either Insurance or tax planning with the mean of 2.89. There is a significant difference in approaching a financial professional for any financial advisory services as some are not aware about the financial advisory services.

Findings:

Majority of the respondents 69.1% are from urban, 58.5% are female, 23.6% are in the age group of 46-55years, 72.4% are married, 74% in a nuclear family, 56.9% with 3-5 members as dependent, 37.4% are postgraduates, 46.3% are working full time, 61.8% having a personal income and 22% have a monthly income of Rs. 50001. Majority of the respondents are having neither high nor low financial knowledge (49.59%) and the major source of financial information gathering is through Mass media (47.2%). The level of awareness is high for the banking services (mean = 2.6829) and present value of money with the (mean = 2.6829). Friends and family are the major source of financial information provider (Mean = 5.09) and there is a significant difference in choosing the sources of financial knowledge that influences the decision making. Majority of respondents don't approach (73%) the financial professional for financial advice and there is a significant difference in approaching a financial professional for any financial advisory services as some are not aware about the financial advisory services.

Conclusion:

This study analysed the financial knowledge among various age group of people in Coimbatore city. Respondents are not much exposed to portfolio management, bonds and financial advisory services. Very few approach financial advisories for financial planning. Respondents are exposed to various sources for financial knowledge for the purpose of decision making. Improving financial knowledge will increase the intensity of financial decision making and in turn will improve the financial literacy. Respondents have better understanding of banking services and present value of money. Financial programmes can be initiated to develop the basic and advanced financial knowledge.

Bibliography:

1. Annamaria Lusardi, Americans' Financial Capability, February 2010.
2. Colmar Brunton Social Research Agency, Financial Knowledge and behaviour survey, June 2013

3. Iris Loncar Zrinka Golemac, Changing Students' Financial Knowledge through Different Levels of Economic University Education, Journal of Educational and Social Research MCSER Publishing, Rome-Italy ISSN 2239-978X ISSN 2240-0524 Vol. 4 No.4 June 2014
4. Laura Choi, Bank Accounts and Youth Financial Knowledge: Connecting Experience and Education, Community development working paper, Federal Reserve Bank of San Francisco, September 2009.
5. Sobhesh Kumar Agarwalla, Samir Barua, Joshy Jacob and Jayanth R. Varma, A Survey of Financial Literacy among Students: Young Employees and the Retired in India, IIM Ahmadabad, June 2012.
6. Taqadus Bashir, Asba Arshad, Aleena Nazir, and Naghmana Afzal, Financial Literacy and Influence of Psychosocial Factors, European Scientific Journal edition vol.9, No.28 ISSN: 1857 - 7881 (Print) e - ISSN 1857- 7431 384 October 2013