

A STUDY ON FINANCIAL LITERACY OF EMPLOYEES AT ENGINEERING COLLEGE, HYDERABAD

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ABSTRACT

The purpose of this paper is to assess the level of financial literacy among the employees in an Engineering College. The paper would use data from both desk research and the primary data, which would be collected by interviewing the respondents with the help of the validated questionnaire. The study would result in the level of financial literacy among the employees, the determinants of their financial literacy, the sources of financial matters, the challenges they meet and their attitude and behaviour in obtaining their financial goals. The study would also determine the prevailing gap in the level of financial literacy and would suggest possible measures to be undertaken to overcome it.

KEYWORDS: *Financial Literacy Education, Financial Behaviour, Financial Attitude..*

Introduction

Financial literacy is the education and understanding of various financial areas. This topic focuses on the ability to manage personal finance matters in an efficient manner, and it includes the knowledge of making appropriate decisions about personal finance such as investing, insurance, real estate, paying for college, budgeting, retirement and tax planning. Financial literacy helps individuals become self-sufficient so that they can achieve financial stability. Those who understand the subject should be able to answer several questions about purchases, such as whether an item is required, whether it is affordable, and whether it is an asset or a liability. This field demonstrates the behaviors and attitudes a person possesses about money that is applied to his daily life. Financial literacy shows how an individual makes financial decisions. This skill can help a person develop a financial road map to identify what he earns, what he spends and what he owes. This topic also affects small business owners, who greatly contribute to economic growth and stability. Financial illiteracy affects all ages and all socioeconomic levels. Financial illiteracy causes many people to become victims of predatory lending, subprime mortgages, and fraud and high interest rates, potentially resulting in bad credit, bankruptcy or foreclosure. The lack of financial literacy can lead to owing large amounts of debt and making poor financial decisions. For example, the advantages or disadvantages of fixed and variable interest rates are concepts that are easier to understand and make informed decisions about if you possess financial literacy skills. Based on research data by the Financial Industry Regulatory Authority, 63% of Americans are financially illiterate. They lack the basic skills to reconcile their bank accounts, pay their bills on time, pay off debt and plan for the future. Financial literacy education should also include organizational skills,

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attention to detail, consumer rights, technology and global economics because the state of the global economy greatly affects the U.S. economy.

Need for the Study

Financial literacy is a global concern. Complicated financial products, low level of awareness and lack of knowledge about financial matters makes the want of financial literacy significant. The level of financial literacy differs from individual to individual. Gender gap also plays an important role in deciding the level of financial literacy. A woman's decision or relationship with money is often determined by her personal life experience. Emotion, money and family are interlinked in the life of a woman. Lack of ready access of reliable information to make informed decision leads to low level of confidence and knowledge about financial matters. Life changes like new employment, divorce or separation, death of the partner are some of the stressful stimulators in an individual's life. The reforms introduced in financial markets have reduced the scope of governments and employers in supporting the employees to plan their future financial needs. So, the responsibility of managing and deciding their future financial needs has increased among the young employees. High job insecurity, uncertain income and easy access to consumption credit have a great influence on their financial behavior. Very less research has been done on financial literacy. A country like India with high young demographic dividend and socio economic diversities should undergo researches in this topic. So, this research focuses on measuring the financial literacy among young employees in Coimbatore city.

Objectives of the Study

The objectives of the study includes:

- To determine the level of financial knowledge of the young employees.
- To analyze the money management skills possessed by young employees.
- To understand the challenges and goals youth have with financial matters.
- To measure the level of financial literacy of young employees.

Importance of the Study

To carry out the study of the employee financial literacy at company and assess the employee financial literacy level in present competitive environment of Industry to help knowing and reading of the minds of the current generation professionals.

Scope of the Study

The study of Internship is done by selected Sphoorthy Engineering College for the academic year 2016-2017 only. The study was done with the Research methodology and with the selection of Questionnaire tool.

Research Methodology

The methodology followed for conducting the study includes the specification of research design, sample design, questionnaire design, data collection and statistical tools used for analyzing the collected data.

- **Research Design:** The research design used for this study is of the descriptive type. Descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual or a group.
- **Population:** The total element of the universe from which sample is selected for the purpose of study is known as population. The population of my research is the employees of company.
- **Ample Size:** All the items consideration in any field of inquiry constitutes a universe of population. In this research only a few items can be selected from the population for our study purpose. The items selected constitute what is technically called a sample. Here out sample size is 50 employees from the total population to conduct the study.
- **Data Collection:**
 - The data source: Primary and Secondary
 - The research approach: Survey Method
 - The research instrument: Questionnaire Method

- The respondents: Executives, Sr. Executives, Assistant Managers, Managers and Top Management of various departments.
- **Questionnaire Schedule:** Questions are framed in such a way that the answers reflect the ideas and thoughts of the respondents with regard to level of satisfaction of various factors of employee satisfaction. The questionnaire has total 16 questions and like scaling techniques has been used for each question.
 - 5. Strongly agree
 - 4. Agree
 - 3. Neutral
 - 2. Disagree
 - 1. Strongly disagree
- **Tools of Analysis:** Simple Percentage Analysis: Here the simple percentage analysis is used for calculating the percentage of satisfaction level in the total respondents:
 - **Two-Way Analysis:** The score secured by the respondents who falls between the score as up to 13 indicates less satisfaction of the respondents, from 14 –20 are got average satisfaction and above 21 respondents got highly satisfaction level.
 - **Chi-Square Test:** Chi-square test is applied to test the goodness of fit, to verify the distribution of observed data with assumed theoretical distribution. Therefore it is a measure to study the divergence of actual and expected frequencies; Karl Pearson's has developed a method to test the difference between the theoretical (hypothesis) & the observed value.

$$\text{Chi - square test } (X^2) = \frac{(O - E)^2}{E}$$

$$\text{Degrees Of Freedom} = V = (R - 1) (C - 1)$$
 Where,
 - 'O' = Observed Frequency
 - 'E' = Expected Frequency
 - 'R' = Number of Rows
 - 'C' = Number of Columns

For all the chi-square test the table value has taken @ 5% level of significance. 1.7(d) Employee Satisfaction comparison using MEAN and Combined Mean: Mean for each factor was calculated to measure the satisfaction level of the employee in the organization on an average. Standard Deviation was also calculated to see the variation in data. Combined mean was calculated to find out level of satisfaction of employees for each factor described related to Gender, Designation, Qualification, Employee Age and Years of Service in a company.

Limitations of the Study

Each and every task has certain limitations and hurdles in the course of its performance. But this does not mean that the task should stick up whenever certain limitations come up. The need is to try one's level best to solve incoming limitations. Few limitations of the project are enumerated below:

- This study is only limited to this company.
- The method of random sampling is suitable for small populations only.
- To create good image, respondents may give responses vary from the facts.
- Some respondents hesitated to give the actual situation
- It does not ensure proportionate representation to all constituent group of population.
- I was able to cover only those employees who were currently working in the company.

Literature Review

Financial Literacy in India:

Various surveys show that the level of financial literacy of Indians is low. India stands in the 23rd position out of 27 countries in the recent survey conducted by Visa. Our government and other agencies have taken various steps to overcome the gap.

Studies by Marcolin and Abraham (2006); Schuchardt et al., (2008); Remund (2010) and Huston (2010) found that despite the rapid growth of interest in and funding for financial literacy and financial education programs, it remains the case that the field of financial literacy has a major obstacle to overcome: the lack of a widely disseminated measure of financial literacy, developed through rigorous psychometric analyses.

Michael (2009) argues that a lack of financial literacy can hamper the ability of individuals to make well-informed financial decisions. For people who exhibit problems with financial decision making, financial advice has the potential to serve as a substitute for financial knowledge and capability.

Agarwalla Sobhesh Kumar, Barua Samir, Jacob Joshy, Jayanth R. Varma (2012) conducted a study among 3000 individuals, and found that financial knowledge among Indians is very low than the International standards. But the financial behaviour and attitude of the employees and retired seems to be positive. The financial knowledge among the women are marginally high than the men. Greater access to consumption credits has influenced the financial behaviour of young employees. Financial literacy was examined among wave11 individuals which showed that the financial literacy is low and fewer than one third of the young adult possess the basic knowledge of interest rates, inflation and risk Diversification. Financial literacy was strongly related to socio demographic characteristics and family financial sophistication. Specifically, a college educated male whose parents had stocks and retirement savings was about 45 percentage points more likely to know about risk diversification than a female with less than a high school education whose parents were not wealthy (Lusardi, Mitchell and Curto 2006).

Sages and Grable, (2009) in their study found that the individuals who has the lowest level of financial risk tolerance is the least competent in terms of financial matters, have the lowest subjective evaluation of net worth and are less satisfied with their financial management skills. The level of financial risk tolerance of the individuals determines the financial behaviour.

Ansong and Gyensare (2012) conducted a study among 250 UG and PG University students of Cape Coast reveals that the age and work experience are positively related to Financial literacy. Also, mother's education is positively correlated with respondents' financial literacy. But, level of study, work location, father's education, access to media and the source of education on money has no influence on financial literacy.

Mandell (2008) made a survey among college students in 2008, Mandell calculated average accuracy rate of the questions on financial literacy by their major. From the result, 5 the average of all respondents is 61.9%. Although the accuracy rate of Business or Economics major is 62.4% and is higher than overall average, its rate is lower than Engineering (63.2%), Science (64.0%), and Social Science (64.0%).

In addition, Koshal et al. (2008) reported that the difference between Indian MBA students' grades does not show a statistically significant effect on economic literacy score. Study by Martin Samy (2007) revealed that determinants of credit card are significantly dependent on a student's year of study, credit card status and daily routine, which has a strong relevance to respondents' knowledge of credit cards. Responsibility of money management lies with parents. Parents are the source of financial information. They are confident about their financial future. Their parents are successful in money management and they take them to be their role models in deciding upon financial matters, Canadian Institute of Chartered Accountants CICA Youth Financial Literacy Study 2011 Factors influencing financial literacy of marginalized women are:

- Knowledge: Knowledge about financial products, proper formal education, basic money management skills, Financial numeracy, persuasion knowledge and self efficacy and basic banking activities.
- Financial Behaviour: Budgeting, trusted financial advice, cultural dominance and learned helplessness.
- Financial Attitude: Risk aversion, Retirement planning and their intensity to save. Financial literacy among marginalized women Report by Australian Government(2011) Study by Mwangi (2012) found that financial literacy remains low in Kenya.

The results indicate that households' access to financial services is not based on levels of financial literacy but rather on factors such as income levels, distance from banks, age, marital status, gender, household size and level of education. However, the study established that the probability of a

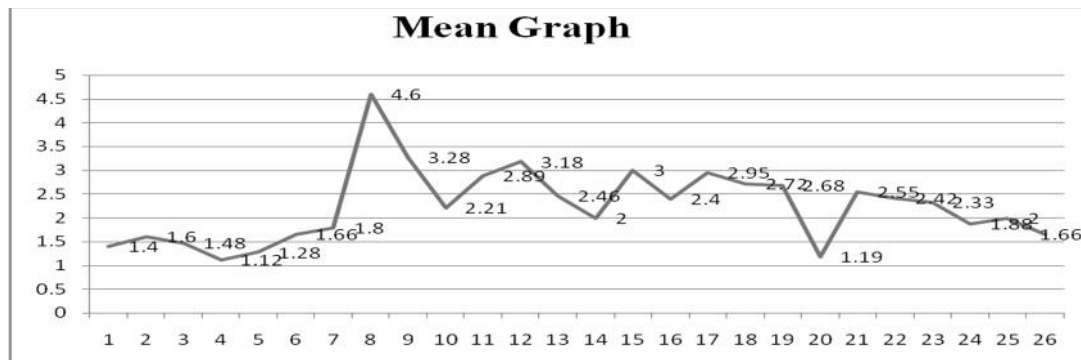
financially illiterate person remaining financial excluded. The study recommends the development of a curriculum on financial education and administers it in local, middle level and higher learning institutions.

Study by Marzieh et al., (2013) revealed that the age and education are positively correlated with financial literacy and financial wellbeing. Married people and men are more financially literate. Higher financial literacy leads to greater financial well-being and less financial concerns. Finally, financial wellbeing leads to less financial concern.

Data Analysis and Interpretation

Descriptive Statistics:

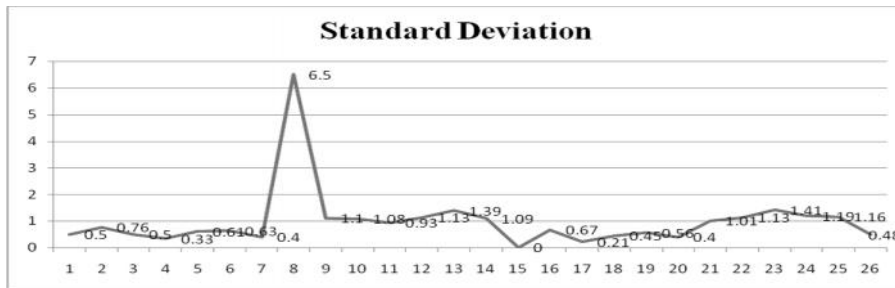
Question Numbers	Sample Size	Mean	Standard Deviation	Variance(Sd)
1	25	1.4	0.5	0.25
2	25	1.6	0.76	0.58
3	25	1.48	0.5	0.26
4	25	1.12	0.33	0.11
5	25	1.28	0.61	0.37
6	25	1.66	0.63	0.4
7	25	1.8	0.4	0.16
8	25	4.6	6.5	42.25
10(A)	25	3.28	1.1	1.21
10(B)	25	2.21	1.08	1.17
10(C)	25	2.89	0.93	0.8
10(D)	25	3.18	1.13	1.29
10(E)	25	2.46	1.39	1.93
10(F)	25	2	1.09	1.2
10(G)	25	3	0	0
12(A)	25	2.4	0.67	0.45
12(B)	25	2.95	0.21	0.04
12(C)	25	2.72	0.45	0.2
12(D)	25	2.68	0.56	0.32
12(E)	25	1.19	0.4	0.16
13	25	2.55	1.01	1.02
14(A)	25	2.42	1.13	1.28
14(B)	25	2.33	1.41	2
14(C)	25	1.88	1.19	1.36
14(D)	25	2	1.16	1.42
15	25	1.66	0.48	0.23



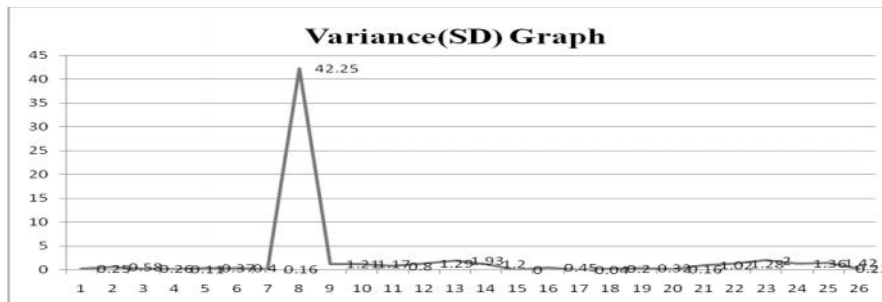
Interpretation

- Most of the population are not aware of financial literacy and are facing difficulties in online transactions.
- The People who are financially literate use mostly banking transactions.
- Due to lack of Financial literacy people find these transactions as difficulty.
- People are not confident that Online Transactions are safe and secure which is the major problem now a days.

Standard Deviation Graph



Variance (SD) Graph



Findings, Suggestions, Conclusion

Findings

- .Though people are digitally literate, they are not financially literate.
- As there are many chances and frequent happenings of online thefts and frauds, people are neither willing nor interested in Online transactions.
- The people who use Online transactions, use online in shopping.

Suggestions

In order to create awareness among people, some sort of workshops or programs need to be conducted on financial literacy.

Conclusion

As most of the people are financial illiterate, as a citizen we need to step forward and need to educate the people about the advantages and how it saves our time. People feel that it is a risky factor as there are many chances for frauds, hence this fear can be eliminated with proper guidance.

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Questionnaire on Financial Literacy

Respected Sir / Madam,

I request you to cooperate by filling the questionnaire and the data collected will be used only for Academic Purpose only.

Part-A : Personal Information

1. Name :
2. Gender : Male () Female ()
3. Age : 20-30 () 31-40 () 41-50 () above 50 years ()
4. Marital Status : Married () Unmarried ()
5. Educational Qualifications : PG () PhD ()
6. Designation: Asst. Prof () Asso. Prof () Professor ()
7. Income (pa): Less than Rs. 2.5 Lakhs () Rs. 2.5 L – 5 L () Rs. 5L-10L () Rs. Above 10L ()

Part-B : Information on Financial Literacy:

8. Are you using Online Banking for your transactions? Yes () No ()
9. Indicate for which transactions you use Online Banking?
 - a. Payment of Utilities Bills
 - b. Shopping
 - c. Transfer of Amounts
 - d. Online Booking of Tickets
10. Indicate the facilities you use for financial transactions with their frequency of usage

Facility	Frequency of Usage			
	Always	Rarely	Whenever it is mandatory	Never
Internet Banking				
Mobile Banking				
e-wallets				
PayTM				
Debit Card				
Rupay Card				
Others (Please Specify)				

11. Indicate the maximum amount _____ and minimum amount _____ per transaction in Online Transactions
12. Express your Opinion on the following aspects:

Opinion	Levels of Opinions		
	Agree	Neutral	Disagree
Online Transactions are convenient and ease			
Online Transactions are safe and secure			
Online transactions are save time			
Online transactions can avoid Black Money			
Online transactions are highly transparent			

13. Are you facing difficulty for using online transactions? Yes () No ()
14. If yes indicate the level of difficulty?

Reasons for Difficulty	High	Medium	Low	No
Lack of Financial Literacy				
Lack of Smart Phones				
Lack of Internet Connectivity				
Lack of Digital Literacy				
Lack of Awareness				

15. Are you educating the people regarding Financial Literacy? Yes () No ()
16. What are your suggestions to improve the level of financial literacy among the people?

