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THE LEVEL OF FINANCIAL LITERACY IN RAJASTHAN ACCORDING TO DIFFERENT ECONOMIC CLASSES

Abstract

This research paper is an attempt to conduct a comprehensive study on the level of financial literacy among the different economic classes in Rajasthan. To get the true picture of the level of financial literacy in Rajasthan, a well structured questionnaire was designed and distributed to the people of Rajasthan. The questionnaire included the general knowledge and likert scale based questions to identify the level of financial literacy in Rajasthan. The researcher has made every possible attempt to study the problem deeply through the research conducted. The whole study is measured through the questionnaire, the data further analyzed, interpreted and the results were obtained.

Keywords : Financial Literacy, Financial Knowledge, Macro Level, Micro Level, Fund Management, Financial Attitude.

Introduction

The term "financial literacy" refers to how people interact with money, and it is a lifelong learning process. Everyone aspires to have a strong financial position so that they can enjoy a better quality of life with assurance. But not everyone experiences this, as the majority of us are unaware of the mysterious ways by which money is calculated and used. Many countries, including the United States, the United Kingdom, Australia, Ireland, Russia, Germany, etc., established numerous initiatives to educate and improve their human resources in financial matters in an effort to instill confidence and independence in fund management among the general public.

Financial behaviour, financial attitude, and financial knowledge are all included in the concept of financial literacy. The process of "inculcating the ability to understand personal financial wellbeing" is what is referred to as financial literacy. In order to be able to plan for the future and make the best decisions to deal with life's events, it comprises knowledge of financial products, market information, sources for obtaining financial knowledge, and confidence while discussing financial matters. The importance of financial literacy is growing in the modern financial system as well as in every aspect of society's daily lives. It has become significant as it provides benefits to all sectors, including the economy as a whole at the macro level and individual households at the micro level.

Personal finance issues are a problem of financial literacy. It typically includes information for making decisions on several aspects of personal finance, including retirement, insurance, savings, and other sectors like real estate etc. Financial ignorance can have a number of negative effects, including an increased likelihood of building up excessive debt loads as a result of bad spending habits. Poor credit rating, bankruptcy, and other

unfavourable outcomes could result from this. Poor financial decisions made as a result of a lack of financial literacy may have a negative impact on a person's financial wellbeing.

Gaining financial literacy mostly entails understanding how to effectively create a budget, monitor own spending, pay off debt, plan for retirement, and seeking professional financial coaching. People can achieve financial stability through becoming more self-sufficient and financially literate.

One's level of financial literacy serves as a measure of their ability to make financial decisions. With the help of this skill, a person can make a financial road map that details their income, expenses, and debt. Financial illiteracy affects people of all ages and socioeconomic levels.

Financial Literacy: The Need & the Value

Financial literacy raises people's awareness of numerous financial options, breaking the cycle and allowing them to live more freely. As a result, they will be able to escape the vicious cycle of high-interest loan sharks. By educating them about the numerous services and government programmes that are accessible to them, financial literacy would assist them in overcoming such grave problems. Additionally, having too much debt will be lessened - Financial literacy enables a person to make informed financial decisions, which reduces debt and raises service quality.

In this competitive era, there are many different financial goods and services available. As a result, it can be very challenging for an investor to select the one that best suits him. Therefore, financial literacy is essential in this situation for educating investors and empowering them to make wise decisions.

Financial product knowledge works as a catalyst for a person's behavioural transformation. A number of initiatives, programmes, and campaigns will influence conduct and enhance financial items.

In India, it is necessary to channel savings and convert covert savers into investors, which can

only be done by promoting financial literacy. Therefore, as financial literacy rises, so will market involvement, which will ultimately result in the economy's supreme success.

Financial literacy is crucial because it gives people the knowledge and abilities they need to handle their money effectively. Without financial literacy, one's decisions and actions regarding investments and savings would be built on unstable ground. It also aids in sound financial decision-making, money management, and stability. Since it raises one's financial potential, financial literacy is a crucial life skill to acquire. Budgeting, saving, and financial planning should start in elementary school.

Various Elements of Financial Literacy

A person can develop good money management and debt management abilities by learning a variety of financial concepts and competencies, which make up financial literacy. In order to plan and manage your finances, budgeting is a vital life skill. It helps with the development of financial literacy. Effective money management will help in the development of an executable financial strategy. The realistic plan will help in monitoring expenses, removing the unnecessary ones, and ensuring that money is spent wisely. To be independent and have financial security is crucial.

Debt is frequently seen as a detrimental factor. Understanding the distinction between good and bad debt is also crucial. It is seen as good debt to borrow money for necessities like food and clothing. Bad debt is defined as borrowing money for unnecessary expenses.

Savings ensure a secure future, a solid present, and a comfortable lifestyle. Financial planning can be used to create long-term wealth. A person may be able to save money and develop financial discipline by keeping track of their spending habits.

Developing an understanding of the many types of taxes and how they affect a person's net income is essential for achieving financial literacy. Every source of income is taxed differently, whether it comes from job, investments, rental income, inheritance, or an unplanned windfall.

Understanding the various income tax rates promotes financial performance and economic stability through income management.

Money can be invested in financial items as opposed to being left in a bank account. Building wealth through investing can enable you to lead a secure and contented life. While devoting money to retirement savings, it is also possible to achieve financial objectives. Some of the most common investing options include stocks, debt instruments, mutual funds, real estate, and gold.

Review of Literature

According to Jariwala Harsh and Sharma Mahendra 2011 Indians lack knowledge on various insurance available, are facing money shortage to meet their requirements, lack proper investment knowledge, inefficient fund management etc due to financial illiteracy. Reserve Bank of India, shareholders, various agencies form state and central government, several institutions related to finance, professionals from finance, civilians and others are involved in increasing financial literacy. CYSD (centre for youth and social development), FLAME, SEBI, IRDA are various other institutions who have taken initiatives to increase the financial literacy among people by conducting various financial literacy programmes.

According to Prashant Yadav, Akshit Seth (2022), Financial literacy among the different economic classes in Indias. The results reveal that investors are investing in order to ascertain the future needs and to earn high profits. Most of the investors do not invest in share market, out of those who invest in share market like to trade as investors rather than speculators or hedgers. Only a few investors know about online trading but they are well aware of bank deposits, insurance and real state. Investors are willing to take high risk if they get high returns. Many investors are not using the services of financial advisors yet because they don't know how to find out a trustworthy advisor. From the research it is observed that awareness is required about the new and existence products and services available in the market, so aggressive promotional activities have to be incorporated.

Research Context

This paper basically aims to explore and examine the Financial Literacy level among the different Economic Classes in Rajasthan and how these impacts on investment decision making process of different age groups. Each individual's financial needs are different from other, though they may live in the same geographical area. The questionnaire survey method has been used for collecting data and random sampling technique has been adopted. The data collected has been processed and simplified in the form of tables, charts and graphs. A sample of 50 respondents has been taken to study the financial knowledge, financial attitude and financial behavior of various respondents.

The study will be conducted on the basis of following objectives:

- To study the financial literacy among different economic classes of Rajasthan.
- To study the financial behaviour of the people.
- To study the people's preference and perceptions regarding financial products available in the market and the impact of income level for investment decision making process.

Hypothesis

- H_0 : There is no significant relation between educational level and financial behaviour of the respondents.
- H_1 : There is a significant relation between educational level and financial behaviour of the respondents.

Significance of the Study

The investigation into this subject matter is very necessary to analyse how do people in Rajasthan make their financial decisions according to their level of financial literacy and different income level groups. This study will examine financial behaviour of people in Rajasthan and to what extent does financial literacy prevails in this state.

Questionnaire Design

In the first part, the demographic profile of people, including age group, gender, educational qualifications, occupation and annual income has been examined. The second part of the study focused on analysis related to financial products, investing, Budgeting, and financial behaviour of people.

Size of the Sample

The total sample size decided for the study is 50 respondents across Rajasthan. These samples were provided with a complete set of questions on which the information was elicited and their response was recorded. A questionnaire was drafted in such a way that it covered the various aspects of the required subject.

Research Limitation

- The present study will be delimited in Rajasthan State.
- The study is restricted to 50 sample sizes only.

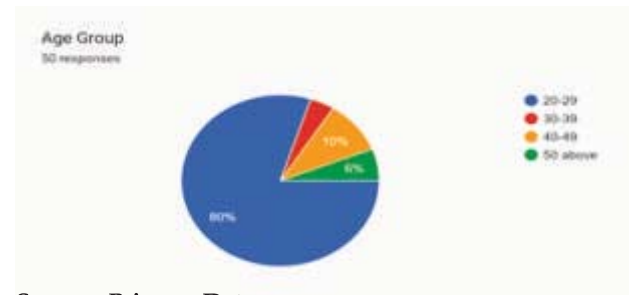
Table 1 : City wise Respondent Distribution

Name of cities	No. of Respondents
Mount Abu	1
Chittorgarh	3
Udaipur	8
Sikar	7
Lacchmangarh	5
Sirohi	2
Rajsamand	1
Jaipur	7
Faridabad	3
Jhunjhunu	8
Salumbar	2
Churu	3
Total	50

Source : Primary Data

Data Analysis and Interpretation

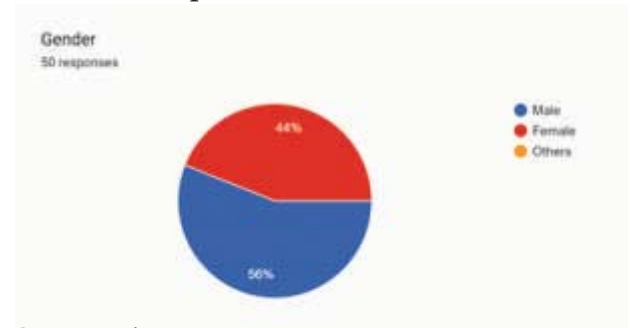
Chart 1 : Frequency Distribution of Respondents - Age Wise (In Years)



Source : Primary Data

The above data shows the age percentage of respondents. 80% respondents are between the age 20 -29 yrs and 10% respondents between the age 40-49 yrs.

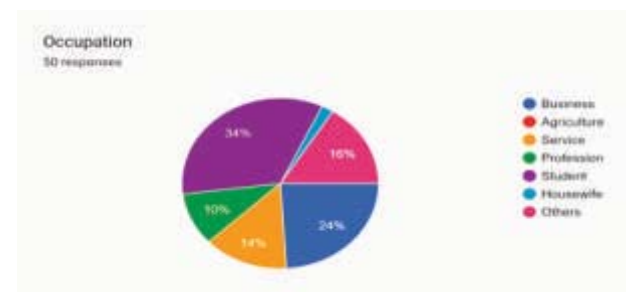
Chart 2 : Frequency Distribution of respondents- Gender wise



Source : Primary Data

The above data shows the gender % of respondent, in which male are 56% and females are 44%.

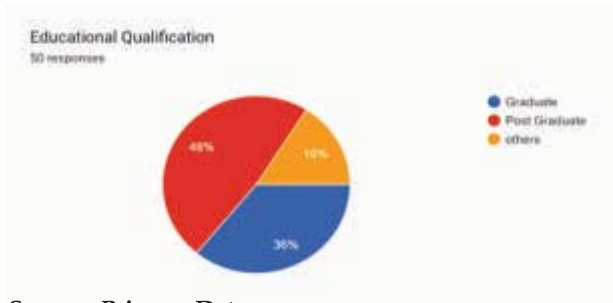
Chart 3 : Frequency Distribution of Respondents: Occupation Wise



Source : Primary Data

The above data shows the occupation % of respondents. Majority of the respondents are either students or belong to business sector.

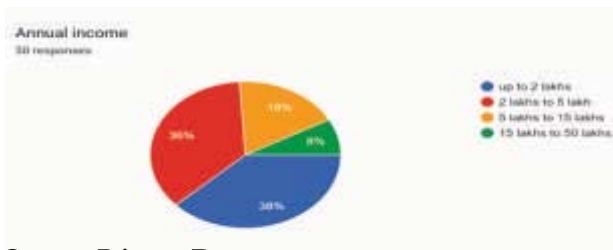
Chart 4: Frequency Distribution of Respondents: Educational Qualification wise



Source : Primary Data

48% of the respondents are post graduates, 36% of them are graduates.

Chart 5 : Frequency Distribution of Respondents: Annual Income Wise



Source : Primary Data

38% of respondents are having income up to 2 lakhs, 36% are between 2-5 lakhs, & rest 8% are between 15-50 lakhs, which clearly shows that lower middle-class people are investing more as compared to others.

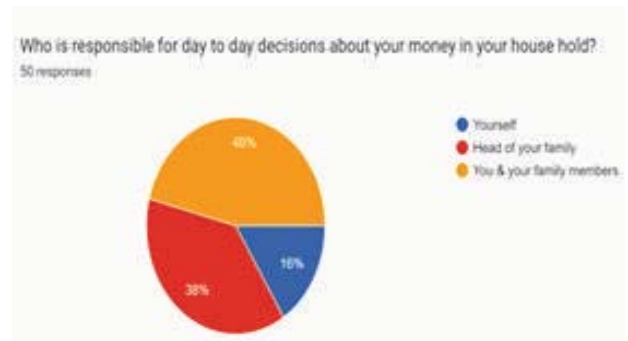
Chart 6 : The Number of Earning Members in Family



Source : Primary Data

Majority of respondents (44%) are having one earning member in their family because of which they could not invest more in financial tools available. 34% are having two earning members and rest 22% have three or more earning members in their family.

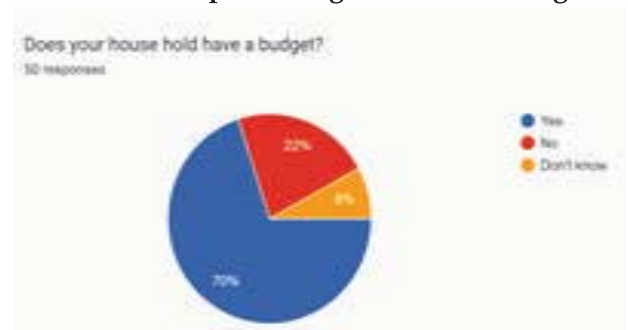
Chart 7 : Person Responsible for Day-to-Day Decisions About Money in Household



Source : Primary Data

16% respondents take their own decisions, in case of 38% respondents, the decision is taken by the head of the family, and in case of the rest 46% respondents, the decision is taken by them and their family members.

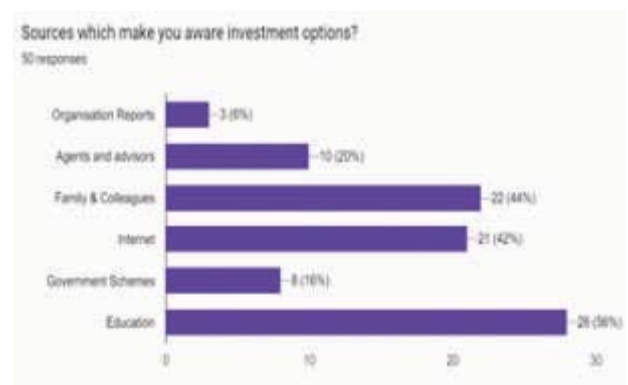
Chart 8 : People having Household Budget



Source : Primary Data

The above data shows that 70% respondents are having a household budget and rest 22% of them not.

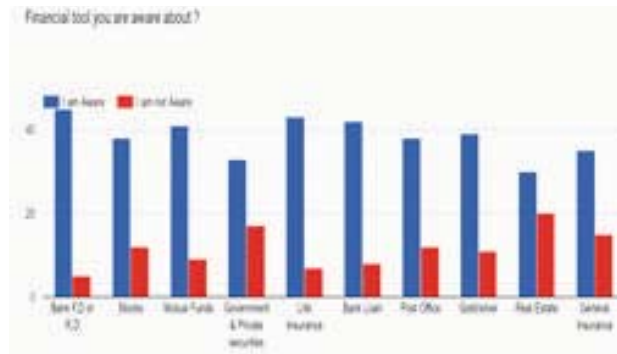
Chart 9 : Sources which make Respondents Aware of Investment Options



Source : Primary Data

The above data shows that financial education (56%) is the most reliable source of investment knowledge followed by family & colleagues (44%), agents and advisors and organization reports are the ones through which people get the least information.

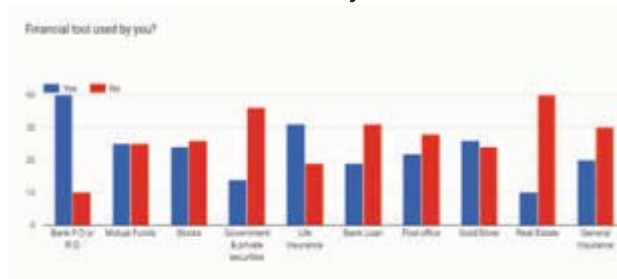
Chart 10. Financial Tools Respondents are Aware About



Source : Primary Data

Majority of the respondents are aware of the investment options provided while only a few of them are oblivious of them.

Chart 11 : Financial Tool, Respondents Most Likely Use



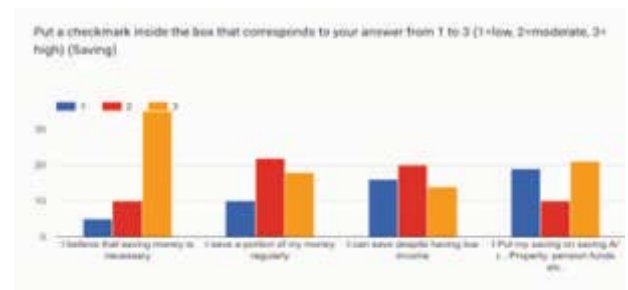
Source : Primary Data

Table 2 : Frequency Distribution of Respondents : According to the Investment Decision

RATING SCALE	1=low	2=Moderate	3=High	Total	Mean score
I believe that saving money is necessary	5	10	35	130	2.6
I save a portion of my money regularly	10	22	18	108	2.16
I can save despite having low income	16	20	14	98	1.96
I Put my saving in saving A/c, Property, pension funds etc.	19	10	21	102	2.04

Source : Primary Data

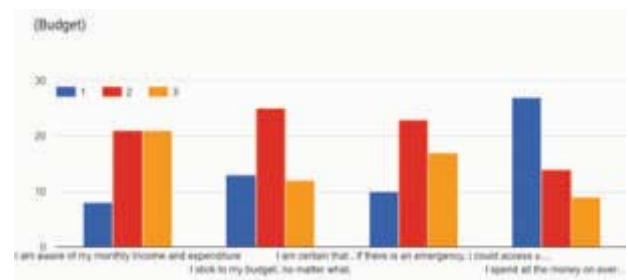
Chart 12 : Saving Decision Made by Respondents



Source : Primary Data

Majority of respondents believe that saving money is necessary, but some of them do not save, and those who save, invest in saving A/c, property and pension funds etc.

Chart 13 : Budgeting Decision made by Respondents



Source : Primary Data

The chart above shows that majority of respondents consider interest before investing, and take advice of experts. They are having a diversified portfolio, to manage their risk.

The chart above shows that majority of respondents (48) consider whether they can afford

it or not. (45) of them pay bills on time, and they set a long-term financial goal and strives to achieve them which indicates their financial behavior that they are managing and controlling finances and practices related to cash and credit management.

Table 3 : Education wise Financial Behavior of Respondents

Educational Qualification	FINANCIAL BEHAVIOUR			
	Agree	Neither agree nor disagree	Disagree	Total
Graduates	7	8	3	18
Post Graduate and above	12	8	4	24
Others	5	2	1	08
Total	24	18	8	50

Source : Primary Data

Table 4 : Chi-Square Test

O	E	O - E	(O - E) ²	(O - E) ² /E
7	8.64	1.64	2.6896	0.311
8	6.84	1.16	1.3456	0.196
3	2.52	.48	.2304	0.091
12	11.52	.48	.2304	0.02
8	9.12	1.12	1.2544	0.1375
4	3.36	.64	.4096	0.121
5	3.84	1.16	1.3456	0.350
2	2.88	.88	.7744	0.2688
1	1.28	.28	.0784	0.061

Source : Primary Data

Chi Square = 1.5563

$$\text{Degrees of Freedom} = (c - 1)(r - 1) = (3-1)(3-1) \\ 2*2 = 4$$

probability level (alpha)

Findings

The major finding related to the level of financial literacy in Rajasthan according to different economic classes are:

- The age group 20-29 are investing more compared to any other age groups.
- Students and people having business are investing more compared to others.
- Majority of the people (46%)take the day-to-day money related decisions after discussing with their family members which instils a sense of confidence in respondents and prevents them from making a rash decision.
- 70% of the people are having a budget, that helps them to get a clear idea about how much money they have every month, & how much they can afford to spend while still saving for emergencies and financial goals.
- Government, Private Securities & Real Estate is least used by respondents and Bank F.D/R. D and life insurance is used by majority of the people for investing because the returns are guaranteed.
- Majority of the respondents are aware about their income and expenditure, and they stick to their budget and believe that saving money is necessary, because saving provides a financial backstop for life's uncertainties and increase feeling of security.
- Majority of investors are availing the services of financial advisors because they don't have time to take decision; they need help with asset allocation.
- The chi square statistic value is ($\chi^2 = 1.5563$) and our predetermined alpha level of significance is 0.05, and degrees of freedom ($df = 4$). When the computed χ^2 statistic is less than the critical value in the table for a 0.05

probability level, then we can accept the null hypothesis of equal distributions. Since our χ^2 statistic (1.5563) is less than the critical value for 0.05 probability level (9.488) we can accept the null hypothesis.

Recommendations

- More awareness programs should be conducted by stock brokering firms because most of the respondents are unaware about products of equity, debentures, bonds, mutual funds and how to invest in stock market.
- Regulatory bodies can have periodical verification on the initiatives taken by financial institutions to enhance the financial literacy of the investors as most of the respondent's source of information is family and colleagues, and education and financial awareness programs are not arranged regularly by the institutional bodies.
- A key part of budgeting is that one should always pay himself first. That is, he should take a portion of every pay check and put it into savings. This one practice, if becomes a habit, will pay dividends (literally in many cases) throughout the life of an investor.
- Adding basic concepts relating to financial literacy in the school curriculum so that a child can learn the concept at very young age and teach the parents in case parents are illiterate.
- Creating a budget is a first great step in developing healthier money habits and learning how to get the most from own money as majority of respondents are already following it.
- Some of the respondents were not prepared to take unexpected risk with money put aside in case for emergency. More advisory sessions must be conducted for such type of investors as higher risks come with higher returns.

Conclusion

Financial literacy is a very important component for the economy of any country. Improvement in financial literacy will result in improvement in

financial inclusion, which in turn will result in financial stability of the country. In India all the main regulatory bodies implemented various commendable efforts for the development of financial literacy in the country. Despite all efforts, the level of financial literacy among the individuals in our country is not that satisfactory. In spite of the tremendous growth in the security market and good Initial Public Offerings in the market place, the investors prefer investments according to their age group, objectives, risk preferences, duration, etc. For e.g., Risk averse investors choose life insurance policies, fixed and bank deposits. Now

a day's investors are not investing blindly, the majority of the investors are using some sources and reference group for taking investment decisions. Suggestions that can improve the level of financial literacy can be adding basic concepts relating to financial literacy in the school curriculum so that a child can learn the concept at very young age. Advanced concepts of financial literacy can be added in the higher education curriculum that will make students to have in depth knowledge on financial products that can help to have effective and efficient financial planning. Regulatory bodies can have periodical verification on their initiatives. According to change in the requirement of the economy government can initiate innovative policy regarding financial literacy and financial inclusion that can result in achieving stable economy in our country.

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