

Financial Literacy a Key to Financial Inclusion : A Study conducted for Tier I and Tier II Cities

SRILAKSHMI*
DIVYA BANSAL**
KARPAGAM***

Abstract

One of the reasons for crisis in personal finance is low literacy level in finance. About 77% of the adults present all over the world are considered financial illiterates. The lack of comprehending financial concepts by approximately 4 billion people all over the world. As financial-literacy has a direct bearing on the economic growth of a country, therefore it has become an important for the educators of worldwide. Financial literacy is important for people for right financial choices. In the current research paper, an attempt is made to understand and identify the numerous aspects which are important in defining and measuring financial-literacy in Indian context. An index for measuring financial literacy has been arrived at and proposed for college going students. A comparison of financial literacy has been drawn among Tier I and Tier II cities of India. It was found that behavior, knowledge & attitude related to finance along with demographics and socio-economic factors has a major impact on the level of financial knowledge of the student.

JEL Code : B26, F65, G4, G53, G32, G2, G21, G51, G53

Keywords : Financial Literacy, Financial Inclusion, Tier I, Tier II, Socio-economic factors, Literacy, India

I. Introduction

KNOWLEDGE ABOUT FINANCE is referred to as financial literacy. Many financial-literacy definitions are in vogue and all of them state that they are the abilities of individuals to collect and evaluate information that are needed for sound decisions financially that help them in future. When any person correctly answers atleast three out of four financial concepts, he or she is defined as financially literate. It is found that 77% of the adults present all over the world are considered financial illiterates. This amounts to the lack of comprehending concepts (financial) by approximately 4 billion people all over the world (Klapper and Van Oudheusden, 2015)

* Assistant Professor, Adarsh Institute of Management & Information Technology 76/1, 5th Main Rd, Nanjamba Agrahara, Chamrajpet, Bengaluru, Karnataka 560018, INDIA

** Assistant Professor, Amity University, G8VM+H69, Amity Road, Sector 125, Noida, Uttar Pradesh, 201301, INDIA

*** Dean, Academics, ISBR Research Centre, ISBR, Number 107, Infosys Drive, Electronic City Phase I, Bangalore, Karnataka 560100, INDIA

Submitted December 2019; Accepted September 2021

References

Agarwal, T. ,(2016), "Twin Pillars of Indian Banking: Financial Literacy and Financial Inclusion", *SIES Journal of Management*, Vol. 12, No. 2.

Agarwalla, S. K., S.K. Barua, J. Jacob and J.R. Varma, (2013), "*Financial literacy among working young in urban India*", Indian Institute of Management Ahmedabad, WP, 2013-10, 02.

Agnew, J. R. and L.R. Szykman, (2005), "Asset allocation and information overload: The influence of information display, asset choice, and investor experience", *The Journal of Behavioral Finance*, Vol. 6, No. 2, pp. 57-70.

Alcon, A., (1999), "Financial planning and the mature woman", *Journal of Financial Planning*, Vol. 12, No. 2, pp. 82.

Ambarkhane, D., B. Venkataramani and A.S. Singh, (2015), "Financial literacy index for college students", *Annual research Journal of symbiosis centre for management studies*, Vol. 3, pp. 1-25.

Bongomin, G. O. C., J.C. Munene, J.M. Ntayi and C.A. Malinga, (2018), "Nexus between financial literacy and financial inclusion: Examining the moderating role of cognition from a developing country perspective", *International Journal of Bank Marketing*, Vol. 36, No. 7.

Danes, S. M. and T.K. Hira, (1987), "Money management knowledge of college students", *Journal of Student Financial Aid*, Vol. 17, No. 1, pp. 1.

Heenkenda, S., (2014), "Inequalities in the financial inclusion in Sri Lanka: An assessment of the functional financial literacy", *Ilorin Journal of Economic Policy*, Vol. 1, No. 1, 2014, pp. 1-30.

Huston, S. J., (2010), "Measuring financial literacy", *Journal of Consumer Affairs*, Vol. 44, No. 2, pp. 296- 316

Klapper, L., A. Lusardi and P. Van Oudheusden, (2015), "*Financial Literacy around the World*" Washington DC: Standard & Poor's Ratings Services Global Financial Literacy Survey.

Lusardi, A. and P. Tufano, (2009), "Debt literacy, financial experiences and overindebtedness", *Journal of Pension Economics and Finance*, Vol. 14, No. 4, pp. 1-46.

Lusardi, A., O.S. Mitchell and V. Curto, (2010), "Financial literacy among the young", *Journal of Consumer Affairs*, Vol. 44, No. 2, pp. 358-380.

Nash, D. R. (2012). Financial-literacy: an Indian scenario. *Asian Journal of Research in Banking and Finance*, Vol. 2, No. 4, pp. 79-84.

Reed, M. and D. Cochrane, (2012), "*Student debt and the class of 2011*" The Institute of College Access and Success

Smith, B. A. and F. Stewart, (2009), "*Learning from the experience of organisation for economic co-operation and development countries: Lessons for policy, programs, and evaluations. Overcoming the Saving Slump: How to Increase the Effectiveness of Financial Education and Saving Programs*", page 345-367.

Van Rooij, M., A. Lusardi and R. Alessie, (2007), "*Financial-literacy and stock market participation*", Working paper #13565, National Bureau of Economic Research.

Volpe Ronald P., Joseph E. Kotel and Chen Haiyang (2002), "A Survey of Investment Literacy Among Online Investors", *Financial Counseling and Planning*, Vol. 13, No. 1, pp. 1-15.

Xu, L. and B. Zia, (2012), "*Financial-literacy around the world: an overview of the evidence with practical suggestions for the way forward*" World Bank Policy Research Working Paper No. 6107, The World Bank, pp. 1-58