A Study On The Awareness Of Basic And Advanced Financial Terms And Financial Discipline Amongst The Populace In The City Of Ahmedabad

Dr. Riddhi Dave (Faculty)
Som Lalit Institute of Business Management
St. Xavier Campus Corner, University Road
Navrangpura, Ahmedabad -380009

Dr. Roopa Rao (Faculty)
Som Lalit Institute of Business Management
St. Xavier Campus Corner, University Road
Navrangpura, Ahmedabad -380009

Dr. Rajeshwari Jain (Visiting Faculty)
Som Lalit Institute of Business Management
St. Xavier Campus Corner, University Road
Navrangpura, Ahmedabad -380009

Abstract:
Financial literacy is the ability to use skills and knowledge to take effective and informed money-management decisions. It is erroneously believed that one who is ‘literate’ or ‘rich’ is also ‘financially literate’. But, in many instances it is found that people expert in their own domain end up making wrong financial decisions due to lack of financial literacy and hence creating financial awareness and educating classes and masses on the same remains important. The authors in this paper have tried to study and analyze the prevalence and depth of financial literacy among the targeted audience.

(Key words: Financial Awareness, Financial Literacy, Basic Finance terms, Modern Finance Terms)

Introduction
Matters Related to Money Matters a Lot!!! It requires ability and skill to take wise financial decisions and lack of financial understanding results in unproductive financial decisions leading to fatal outcomes. Financial literacy is the ability to use skills and knowledge to take effective and informed money-management decisions. The OECD has a working definition of financial literacy. It considers it “a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”.

Through various researches, it is found that knowledge of basic principles of finance, like risk, return, risk-return trade off, liquidity, inflation, simple interest, compound interest, savings, investments, etc enables one to make sound financial decisions and avoid financial pitfalls. Conversely, people with no or low degree of financial literacy struggle to understand money matters and end up hampering their financial wellbeing. People who cannot comprehend basic financial concepts, such as interest compounding and financial risk diversification, often end up paying higher transaction fees, pile up unmanageable debts and end up paying higher interest on loans.

India has always witnessed a strong presence of informal finance sector, which is notorious for taking undue advantage of low financial literacy mostly by charging exorbitant interest rates especially from low income households. The people with low financial literacy have also been periodically lulled into dubious schemes by nefarious characters. According to a global survey by Standard & Poor’s Financial Services LLC (S&P), less than 25% of adults are financially literate in South Asian countries. For an average Indian, financial literacy is yet to become a priority. India is home to 17.5%
of the world’s population but nearly 76% of its adult population does not understand even the basic financial concepts. The survey confirms that financial literacy in India has consistently been poor compared to the rest of the world. This is really creating a paradoxical scenario for Indian economy which is targeting for having profound financial inclusion and digitalization. None the less, the financial regulators in India are striving hard to create financial awareness and education among people in India. For instance, Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA)—have created a joint charter called ‘National Strategy for Financial Education’, detailing initiatives taken by them and also by other market participants like banks, stock exchanges, broking houses, mutual funds and insurers to spread financial awareness and education.

The authors in this paper have tried to study and analyze the prevalence and depth of financial literacy among the targeted audience. The findings and outcomes of the same are discussed in upcoming sections in the paper.

**Literature Review**

Samriti Kamboj (2014), opines that, being literate is to be able to understand and to have knowledge. In the same context, one who is financially literate is a person who is able to understand finance and has financial knowledge. This knowledge provides him a skill set which enables him to take adequate and informed decisions. She further adds that inadequate risk diversification, inadequate savings, huge amount of debt and absence of retirement plans are the results of inadequate financial literacy. Possessing the conceptual knowledge of various financial parameters and effectively using the same in managing personal finances in tandem to the financial market is defined as financial literacy. Adding to the above, the researcher advocates that, If one looks at having an adequate financial strategy, then it can be very well seen that, financial education, financial inclusion, and financial stability are the three important pillars of this strategy. Concentrating on the financial inclusion, this forms the supply side which concentrates on facilitating awareness to various financial services and products and whereas the demand side is catered to by financial education which increases awareness with respect to the need and the advantages of financial services.

Financial literacy being a novel concept, maximum literature is predominately available with respect to developed economies. Banks and Oldfield (2017) in their study in England regarding older adults, stated that, there is a strong correlation of amount of retirement savings, investment portfolios, arrangement of pensions with cognitive function.

In their study of Americans, Lusardi and Tufano (2009), in relation to debt literacy, financial expenditure and understanding on the extent of indebtedness, discovered that the extent of illiteracy is more among women and older people. People with minimum level of debt literacy perform high cost transaction and so the low awareness of financial concepts added to build up of debt which is followed by added number of insolencies and bankruptcies.

Lusardi and Mitchell (2011) in their study advocated that despite the level of development of financial market, the financial literacy is very low and very limited in women and men acknowledged this short coming. Being financially literate is very crucial to be secure during retirement and people who plan their retirement adequately are people who are able to perform simple calculations, who are knowledgeable about inflation and are aware about diversification risk which enable them plan their retirement adequately.

Focusing on the Indian context and reviewing the available literature by Agarwalla, Barua, Jacob and Varsha (2012), on the effect of differences in gender around the world on financial
literacy, in terms of financial knowledge, financial behaviour and financial attitude in India, it was opined that it is inadequate in comparison to global standards which may be attributed to inadequate elementary and primary education.

Continuing with the Indian context, Samriti Kamboj (2014) highlights that, R.B.I. the most oldest and experienced supervisory board with respect to finance, is making efforts towards financial literacy. Project financial literacy is an initiative implemented by RBI, to spread knowledge of banking and financial concepts in lucid language. With respect to Indian context, under the umbrella of RBI, various banks like SBI and HDFC are coming up with various schemes to educate people and making them financially literate. Coming to SEBI, among the various initiatives undertaken, it has conducted more than 3500 workshops in various states. She further continues that for improving the financial awareness of women, school children and underprivileged, various NGOs are working towards helping them to choose various financial services and to effectively manage their finances and budget. It is also advocated by the researcher that in the attempt to promote financial literacy, the Indian government had opened various credit counseling centers in 2009 to facilitate awareness of various financial products to demotivate people to accumulate unrealistic debts and that despite of the Indian government and RBI contributing to attain financial inclusion and literacy, it is very evident from the above literature survey that to bring uniformity in studies with respect to financial literacy, the gap with respect to developing financial framework in the Indian context is volunteered.

Research Objective
- To identify the association between the demographic details of the respondents and their awareness regarding basic financial terms
- To identify the association between the demographic details of the respondents and their awareness regarding advanced financial terms
- To identify the association between the demographic details of the respondents and their financial discipline
- To identify the impact of awareness and knowledge regarding the financial terms on the respondent’s investment behavior

Research methodology:
We conducted a primary survey by using convenient sampling technique across Ahmedabad areas. Research instrument used was a questionnaire, consisting of 14 questions. The questions were designed to measure the financial literacy by measuring the awareness of basic financial terms and also modern financial terms.

The questionnaire was circulated among adults across different socio-demographic variables, like occupation, age, gender, income. The sampling size was 150. On collection of the filled questionnaire, the data analysis as mentioned in upcoming sections was conducted.

Findings And Analysis
Of the 150 respondents surveyed 53.3% of respondents were males and 46.7% were females. Majority of the respondents 83.9% were from the urban areas and the rest were from the rural areas. As far as age group is concerned 30.7% of respondent’s age group is 18-25, 28.5% of respondent’s age group is 26-35, 22.6% of respondent’s age group is 36-50, 10.2% of respondent’s age group is 51-60 and 8% of respondent’s age group is 60 above.

Of the respondents surveyed 2% of respondents have no formal education, 3.9% of respondents are 10\textsuperscript{th} pass, 8% of respondents are 12\textsuperscript{th} pass, 41.6% of respondents are Graduate and 44.5% of respondents are Post graduate and above.

Of the respondents surveyed 16.1% of respondents are Professional, 21.9% of respondents are Self-employed, 5.83% of respondents are Public sector employee, 19% of respondents are Private
sector employee, 13.9% of respondents are Housewife, 5.83% of respondents are Retired, 13.1% of respondents are Not working and 4.34% of respondents are others like students, service, Interns etc.

Of the respondents surveyed 40.1% of respondents’ annual income is Less than 2.5 lakhs, 26.3% of respondents’ annual income is 2.5 to 5 lacs, 14.6% of respondent’s annual income is 5 to 10 lakhs and 19% of respondents, annual income is 10 lacs and above.

As far as savings are concerned, 35.8% of respondents annual income that goes into savings is less than 5%, 27.7% of respondents’ annual income that goes into savings is between 5-10%, 16.1% of respondents annual income that goes into savings is 10-20% and 20.4% of respondents annual income that goes into savings is above 20.

Out of 150 respondents surveyed 131 respondents are aware about the simple interest and only 19 respondents are not aware about simple interest. 118 respondents are aware about the compound interest, 103 respondents are aware about the inflation, 111 respondents are aware about the Time value of money, 111 respondents are aware about the risk, 122 respondents are aware about the return and 106 respondents are aware about the diversification and 44 respondents are not aware about diversification. Hence simple interest is found to be mostly understood basic finance term and diversification is found to be least understood basic financial term.

Of the respondents surveyed, 10.2% of respondents have liked to take loan for the purpose of meeting day to day expenses, 38.7% of respondents have liked to take loan for the purpose of educational expenses, 65% of respondents have liked to take loan for the purpose of buying real estate, 13.9% of respondents have liked to take loan for the purpose of family functions/events and 8% of respondents have liked to take loan for the purpose of leisure and recreation activities.

As far as financial planning and discipline is concerned it is found that out of 150, 112 respondents are running house on fixed monthly budget and only 38 respondents are not running house on fixed monthly budget. 112 respondents are prioritizing on savings by postponing avoidable expenses and 38 respondents are not prioritizing on savings by postponing avoidable expenses and out of 150 respondents, 136 respondents are maintaining emergency funds and only 14 respondents are not maintaining emergency funds.

As far as awareness about modern finance terms is concerned it is found that 142 respondents are aware about the OTP and only 8 respondents are not aware about the OTP, 123 respondents are aware about the Net banking, 101 respondents are aware about the NEFT, 99 respondents are aware about the RTGS, 117 respondents are aware about the payment apps and 120 respondents are aware about the e-wallets and 30 respondents are not aware about the E wallets. So, it found that OTP Is the most commonly understood modern finance term and RTGS is the least understood one.

Among the respondents surveyed, fixed deposit has emerged as the most preferred investment option followed by recurring deposit. The other preferred options in descending order have found to be Mutual Fund, Retirement Products, Equity, Gold/silver/bullion, Real Estate, Debentures/bonds and the last being Company Deposit. Hence Fixed deposit has emerged as the most preferred investment option and Company Deposit has emerged as the least preferred one.

**Statistical Interpretation**

Statistical test of Chi-Square was carried out between the independent variables of education with the dependant variables of knowledge regarding basic financial terms

Statistical test of Chi-Square was carried out between the independent variables of education with the dependant variables of knowledge regarding advanced financial terms

Statistical test of Chi-Square was carried out between the independent variables of occupation with the dependant variables of knowledge regarding basic financial terms

Statistical test of Chi-Square was carried out between the independent variables of occupation with the dependant variables of knowledge regarding advanced financial terms

Statistical test of Chi-Square was carried out between the independent variables of education with the dependant variables of financial discipline exhibited by respondents with it comes to investments.
Statistical associations between the independent variables of gender, age and annual income with the dependent variables of knowledge regarding basic and advance financial terms and the financial discipline exhibited by respondents when it comes to investments was also carried out.

The results are mentioned as below:

<table>
<thead>
<tr>
<th>Associations</th>
<th>Null Hypothesis</th>
<th>Alternative Hypothesis</th>
<th>Test Output</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and basic financial terms</td>
<td>There is no association between education and awareness about simple interest</td>
<td>There is strong association between education and awareness about simple interest</td>
<td>0.003</td>
<td>Alternative hypothesis accepted</td>
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<tr>
<td></td>
<td>There is no association between education and awareness about compound interest</td>
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<td>There is no association between education and awareness about inflation</td>
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<tr>
<td></td>
<td>There is no association between education and awareness about time value of money</td>
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<tr>
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<td>There is no association between education and awareness about Risk</td>
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<tr>
<td></td>
<td>There is no association between education and awareness about Return</td>
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<tr>
<td></td>
<td>There is no association between education and awareness about diversification</td>
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</tr>
<tr>
<td>Education and advanced financial terms</td>
<td>There is no association between education and awareness about OTP</td>
<td>There is strong association between education and awareness about OTP</td>
<td>0.000</td>
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<tr>
<td>There is no association between education and awareness about Net banking</td>
<td>There is strong association between education and awareness about Net banking</td>
<td>0.000</td>
<td>Alternative Hypothesis accepted</td>
<td></td>
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<tr>
<td>There is no association between education and awareness about NEFT</td>
<td>There is strong association between education and awareness about NEFT</td>
<td>0.000</td>
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<tr>
<td>There is no association between education and awareness about RTGS</td>
<td>There is strong association between education and awareness about RTGS</td>
<td>0.000</td>
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</tr>
<tr>
<td>There is no association between education and awareness about Payment apps</td>
<td>There is strong association between education and awareness about Payment apps</td>
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<tr>
<td>There is no association between education and awareness about E-Wallets</td>
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<table>
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<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupation and basic financial terms</td>
<td>There is no association between Occupation and awareness about simple interest</td>
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<tr>
<td>There is no association between Occupation and awareness about compound interest</td>
<td>There is strong association between Occupation and awareness about compound interest</td>
<td>0.000</td>
<td>Alternative Hypothesis accepted</td>
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</tr>
<tr>
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<td>There is strong association between Occupation and</td>
<td>0.000</td>
<td>Alternative hypothesis accepted</td>
<td></td>
</tr>
<tr>
<td>Associations</td>
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<td>Alternative Hypothesis</td>
<td>Test Output</td>
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<tr>
<td>Occupation and advanced financial terms</td>
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<td>0.002</td>
<td>Alternative Hypothesis accepted</td>
<td></td>
</tr>
<tr>
<td>There is no association between occupation and awareness about Net banking</td>
<td>There is strong association between occupation and awareness about Net banking</td>
<td>0.000</td>
<td>Alternative hypothesis accepted</td>
<td></td>
</tr>
<tr>
<td>There is no association between occupation and awareness about NEFT</td>
<td>There is strong association between occupation and awareness about NEFT</td>
<td>0.000</td>
<td>Alternative hypothesis accepted</td>
<td></td>
</tr>
<tr>
<td>There is no association between occupation and awareness about NEFT</td>
<td>There is strong association between occupation and awareness about NEFT</td>
<td>0.000</td>
<td>Alternative hypothesis accepted</td>
<td></td>
</tr>
</tbody>
</table>

There is no association between Occupation and awareness about time value of money.

There is no association between Occupation and awareness about Risk.

There is no association between Occupation and awareness about diversification.

There is no association between Occupation and awareness about Net banking.

There is no association between Occupation and awareness about NEFT.

There is no association between Occupation and advanced financial terms.

There is no association between Occupation and awareness about OTP.
<table>
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<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and financial discipline</td>
<td>There is no association between education and the aspect of running the house on a fixed budget</td>
<td>There is strong association between education and the aspect of running the house on a fixed budget</td>
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<tr>
<td></td>
<td>There is no association between education and the priority of saving by postponing avoidable expenses</td>
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<td>0.792</td>
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<td>There is no association between education and maintaining emergency expenses</td>
<td>There is strong association between education and maintaining emergency expenses</td>
<td>0.267</td>
<td>Null hypothesis accepted</td>
</tr>
</tbody>
</table>

**Conclusion:**

As per our research objective, the influence of various socio, economic and demographic variables were analysed on the awareness of various basic and modern financial terms which is explained in detail in our report.

Looking at the influence of gender on the financial awareness of basic financial terms, it was observed that, gender has an influence on the awareness of terms like compound interest but on the other hand gender does not have any influence on the awareness of terms like simple interest, inflation, time value of money, risk, return and diversification.

Looking at the influence of age on the awareness of basic financial terms, it was observed that, age has an influence on the awareness of terms like compound interest, inflation, time value of money and diversification and does not have any influence on the awareness of terms like simple interest, risk, return.
Looking to the influence of education on the awareness of basic financial terms, it was observed that education has an influence on the awareness of all basic terms like simple interest, compound interest, inflation, time value of money, risk, return, and diversification.

Looking at the influence of annual income on the awareness of basic financial terms, it was observed that, annual income has an influence on the awareness of all basic terms like simple interest, inflation, time value of money, risk return, diversification and compound interest.

Looking at the influence of occupation on the awareness of basic financial terms it was observed that, occupation has an influence on the awareness of all basic terms like simple interest, inflation, time value of money, risk return, diversification and compound interest.

Looking at the influence of gender on awareness of various modern financial terms it was observed that gender has an influence on the awareness of terms like OTP, NEFT, RTGS, Payment apps. On the other hand gender does not have influence on modern finance terms like, Net banking and E – Wallets

Looking at the influence of age on the awareness of various modern financial terms, it was observed that age has an influence on the awareness of terms like OTP, net banking, NEFT, RTGS and payment apps and does not influence the awareness of E – Wallets.

Looking at the influence of education on the awareness of various modern financial terms, it was observed that education has an influence on the awareness of terms like OTP, Net banking, NEFT, RTGS and Payment apps and does not influence the awareness of E – Wallets.

Looking at the influence of annual income on the awareness of various modern financial terms, it was observed that annual income has an influence on the awareness of terms like OTP, Net banking, NEFT, RTGS and Payment apps and does not influence the awareness of E – Wallets.

Looking at the influence of occupation on the awareness of various modern financial terms, it was observed that occupation has an influence on the awareness of all modern finance terms like OTP, Net banking, NEFT, RTGS and Payment apps and E – Wallets.

As far as the most and the least understood finance terms are concerned simple interest is found to be mostly understood basic finance term and diversification is found to be least understood basic financial term. And similarly it is found that OTP Is the most commonly understood modern finance term and RTGS is the least understood one.

Limitations:

Our research made an attempt to identify the influence of various socio economic and demographic variables on the awareness of basic and modern financial variables considered. In future an attempt may be made to add to the basic and modern financial terms as the financial industry and financial concepts are evolving and changing at a rapid rate.

Owing to constraints the analysis was limited to a sample size of 150, across the cities of Ahmedabad but in future an attempt may be made to expand this study to other cities and increase the sample size which would widen our scope.

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