

A Comparative Study on Financial Literacy of Uttar Pradesh with Central Zone States in India

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Abstract: Purpose: The purpose of this study is to find out the financial literacy in Uttar Pradesh in pre financial inclusion scenario and to make a comparison of Financial Literacy level of Uttar Pradesh with other states in the central zone. The paper provides the overview of the important constituents of Financial Literacy and the role of Financial Literacy in Indian context. Design/Methodology/Approach: This research study mainly considers secondary source of data where research objectives have been developed in order to demonstrate the findings. A preliminary literature review has been done to know the present financial literacy level in India. Findings: There is still a lot of work to be done in the area of financial literacy in Indian context. There is low level of financial literacy among the different segments of the population in India as evident from different studies. There is a need of serious policy measures to be taken to strengthen the financial literacy level both at basic and advance stage so that a person can more wisely save and invest in different avenues available in the market. Research Implications: More efforts have to be made to overcome the obstacles in the field of financial literacy. The results of the study show that lack of research in the academic field is one of the serious limitations in spreading financial literacy. Practical Implications: This paper has some serious implications. Firstly, the fact of studying financial literacy level by classifying it into financial attitude, behavior and knowledge. And secondly, by making comparative study in Central Zone states. Originality/Value: This paper is first to analyze the result of financial literacy in central zone states from national centre for financial education report presenting position of financial literacy in pre financial inclusion scenario in India.

Keywords: Financial Literacy, Financial attitude, behavior, knowledge, Uttar Pradesh

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I. Introduction

In the recent past with the growing importance of financial transactions and expansion of banking facilities financial literacy has gained a widespread importance. The Organization for Economic Co-Operation and Development (OECD) defines Financial Literacy as, "A combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing." As it is evident that financial literacy is the first step towards the financial planning and with the successful implementation of financial education drives to make the different sections of the society financial literate than only the financial inclusion drives are also going to be successful. Dr K C Chakrabarty, Deputy Governor of the Reserve Bank of India, at the workshop on "Financial literacy", organized jointly by the UNDP, NABARD and Micro Save in Mumbai on 4 February 2013 states that everyone who is associated with financial system needs to be financially literate including all the users of financial services not only financial services users but the financially excluded resource-poor, the lower and middle income groups as well as the high net worth individuals, those persons who are the providers of services and even the policy makers and the regulators also. It is also evident from the different studies done in different countries at institutional/organizational level as well as at the academic level that financial literacy level is low and needs serious policy measure for its improvement. With the widespread increase in the financial inclusion drives throughout the world shows sufficient evidences that without proper financial literacy financial inclusion cannot be attained completely. If an individual lacks in financial literacy it will affect him in saving and investing wisely and in the long run this will lead to severe future problems like- children education planning, buying home, retirement planning etc. In this paper we are going to discuss about the financial literacy level in Uttar Pradesh in pre financial inclusion scenario and make a comparative study with other central zone states.

INITIATIVES BY GOVERNMENT FOR EMPOWERING FINANCIAL LITERACY IN INDIA

TABLE-1 Number Of Financial Literacy Centres In India

YEAR	FINANCIAL LITERACY CENTRES
2011-2012	429
2012-2013	718
2013-2014	942
2014-2015	1181
2015-2016	1384
2016-2017	1376

Source: Reserve Bank Of India, Annual Report Published Data

The initiatives in the field of financial literacy started in 2009 when the Reserve Bank of India advised the banks to establish Financial Literacy and Credit Counseling Centres (FLCCs) to provide free of cost financial literacy and credit counseling to the customers. The data from the Reserve Bank of India reveals that up to March, 2012 429 Financial Literacy Centres has been established in the country and in the year 2012-2013 up to March, 2013 it increases up to 718 with 289 new centres. And in the same year National Strategy for Financial Education (NSFE) proposed to establish a National Centre for Financial Education (NCFE) to coordinate all the efforts of financial regulator in the field of financial literacy. In the year 2013-2014 the financial literacy centres stood at 942 with an overall increase of 513 financial centres from 2011-2012 to 2013-2014. In the year 2014-2015 the financial literacy centres stood at 1181 and in the year 2015-2016 there were 1384 financial literacy centre were operational in the country with an increase of 203 financial literacy centres from 2014-2015 to 2015-2016. And in the year 2016-2017 the financial literacy centres operational in the country stood at 1376 which shows a decline of 08 financial literacy centres which were operational in the 2015-2016.

II. Importance Of The Study

Financial Literacy has an important and significant role with regard to the financial infrastructure of an economy. With the expansion of banks and banking infrastructure throughout the country the role of financial literacy has become more prominent. With the increasing financial inclusion drives throughout the globe in different countries of the world to include the financially excluded population the role of financial literacy has also become much broader because until and unless a person is educated about the financial avenues both at the basic and advance level all the efforts will be waste. Following are few points discussed here which reveals the importance of financial literacy:

1. To have knowledge of Financial Policies.
2. Better understanding of financial products and services.
3. Builds a platform for better post retirement life and old age.
4. Makes smart savers and investors.
5. Gives a person financial expertise and bargaining power.

III. Objectives Of The Study

The present study is aimed at understanding the financial literacy of Uttar Pradesh and a comparative study with Central Zone states in Pre financial Inclusion scenario.

The objective of this study is to find out the:

- Financial literacy level in Uttar Pradesh based on the report facts and figures.
- To make a comparative study of financial literacy of Uttar Pradesh with Central Zone states.
- To suggest some measures to promote the target of financial literacy.

IV. Research Methodology

A data based research was conducted using secondary and published data collected from NCFE, RBI & NISM etc. Then data of Uttar Pradesh was compared to the data of Central Zone states financial literacy level data i.e. Madhya Pradesh, Uttarakhand and Chattisgarh. Various constraints were analyzed and compared with these four states and it was tried to find out the deviation following simple average and percentages.

V. Review Of Literature

Annamaria Lusardi & Olivia S. Mitchell (2011) well renowned financial literacy scholars and academicians in “Financial Literacy around the World: An Overview” Highlights the importance of financial literacy in an increasingly risky and globalized marketplace in which people must be able to make well-informed financial decisions. New international researches all around the world illustrates that financial

illiteracy is widespread when financial markets are well developed and changing very fast. The study concluded that financial literacy should not be taken for granted even in those countries with well developed financial markets. As the long-term shift continues toward individual responsibility for retirement saving, investment and dissimulation it is significant to assess which programs best help people to make better and superior financial decisions. And lastly for financial education programs to be effective having an impact have to target different population subgroups. To sum up, around the world financial literacy is crucial to retirement security.

Atkinson and Messy (2012) in a working paper “Measuring Financial Literacy: Results of the OECD / International Network on Financial Education (INFE) Pilot Study” Financial literacy is a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve financial wellbeing.

Sobhesh Kumar Agarwalla, Samir K. Barua, Joshy Jacob and Jayanth R. Varma (2013) of Indian Institute of Management Ahmedabad in a working paper entitled “Financial Literacy among Working Young in Urban India” highlights that despite having sensible attitude towards managing finance youngsters tend to behave in reckless manner which gives rise to the negative association between attitude and behavior.

Stephen Agnew and Trudi Cameron-Agnew (2015) “The Influence of Gender and Household Culture on Financial Literacy Knowledge; Attitudes and Behavior” suggests in the study on the basis of conclusions drawn that parents need to be aware of how gender stereotypes and the “financial culture” in the home impacts on the financial knowledge, attitudes and behaviors of their children.

In the research study by Abdul Latheef Kiliyanni and Sunitha Sivaraman (2016) “The Perception-Reality Gap in Financial Literacy: Evidence from the Most Literate State in India” measures the level of financial literacy and evaluates the impact of demographic and socio-economic attributes on financial literacy among the educated young adults in Kerala. The study also examines the gap in financial literacy and the attitude of young adults towards financial education. The study made finds that demographic and socio-economic attributes influence financial literacy. The study also observes that respondents overrate their financial literacy by around 50% which indicates their over-confidence in the knowledge related to personal finance. However majority of the respondents (89%) in the study conveyed the need for financial education. The study at last also call out for initiatives to improve financial literacy among young adults in Kerala.

From above literature review, we draw that financial literacy has following main constituents namely:

1. Financial Attitude
2. Financial Behaviour
3. Financial Knowledge

VI. Data Analysis, Results And Discussion

India a country with literacy rate of 74.04 per cent and when we assess it in terms of financial literacy it is around 20 per cent according to National Centre for Financial Education Report as against 10 per cent in Uttar Pradesh. The data analysis and interpretation is as following:

6.1- Financial Literacy Level

TABLE-2 Data On Financial Literacy And General Literacy Level In Central Zone States

STATE	POPULATION	FINANCIAL LITERACY LEVEL	GENERAL LITERACY LEVEL
Uttar Pradesh	199,812,341	10%	57%
Madhya Pradesh	72,626,809	23%	59%
Chattisgarh	25,545,198	04%	60%
Uttarakhand	10,086,292	23%	68%

Source: Financial Literacy & Inclusion Survey, National Centre for Financial Education, 2015 Published Data

From the discussion point of view to study financial literacy and general literacy level of Central Zone the population has been classified categorically into central zone states: Uttar Pradesh, Madhya Pradesh, Chattisgarh and Uttarakhand.

Uttar Pradesh: being the highest populated state among the central zone states as well as in the country exist the financial literacy level of around 10% and general literacy level at 57% which shows the financial literacy level half of half the general literacy level.

Madhya Pradesh: being the second highest populated state among the central zone states exist the financial literacy level of around 23% and general literacy level at 59% which shows the financial literacy level around half of the general literacy level.

Chattisgarh: being the third highest populated state among the central zone states exist the financial literacy level of around 04% and general literacy level at 60% which shows the financial literacy level to be very much lower or nominal in comparison with the general literacy level of the state and shows a serious matter of concern.

Uttarakhand: as a state remains the least in terms of population but while making an analysis in terms of financial literacy level and general literacy level the condition prevalent in the state is far better than the other central zone states. The financial literacy level is around 23% and general literacy level 68% which shows the financial literacy level less than half of the general literacy level and highest among all the states of central zone.

6.2- Comparative Study of Financial Literacy Based on Financial Attitude, Behavior & Knowledge

TABLE-3 Data On Financial Attitude, Behavior & Knowledge In Central Zone States

STATE	FINANCIAL ATTITUDE	FINANCIAL BEHAVIOR	FINANCIAL KNOWLEDGE
Uttar Pradesh	36.67%	55.86%	55.13%
Madhya Pradesh	69.00%	66.13%	55.75%
Chattisgarh	30.67%	61.88%	47.00%
Uttarakhand	48.67%	67.63%	62.88%

Source: Financial Literacy & Inclusion Survey, National Centre for Financial Education, 2015 Published Data

From the study point of view the financial literacy among the central zone state is classified into financial attitude, behavior and knowledge. It has been assumed that the overall financial literacy is the combination of Financial Attitude, Behavior and Knowledge.

- 1. Financial Attitude:** is considered to be one of the most vital constituent of the financial literacy. Here the financial attitude includes questions related to spending money habits, saving money for the long term and planning money. The overall financial attitude of taken here in the table is the summation average of money habits, saving money and planning money which stands around 36.67% in Uttar Pradesh, 69.00% in Madhya Pradesh, 30.67% in Chattisgarh and 48.67% in Uttarakhand. The financial attitude result shows the most positive financial attitude in Madhya Pradesh than in Uttarakhand and Uttar Pradesh and at last in Chattisgarh regarding money habits, saving money and planning money for the long term.
- 2. Financial Behaviour:** the way a person behaves in the financial decision making constitutes its financial behaviour. It includes questions relating to making household budget, borrow to meet ends, careful purchases, active savings, setting up of long term financial goals, close watch on financial affairs, paying bills on time and affordability. The overall financial behaviour as discussed in the table is summation average of household budget; borrow to meet ends, careful purchases, active savings, setting up financial goals, close watch on financial affairs, paying bills and affordability. The result shows that financial behaviour is most positive in Uttarakhand with 67.33% than in Madhya Pradesh with 66.13% and at third place in Chattisgarh with 61.88% and at last in Uttar Pradesh with 55.86%.
- 3. Financial Knowledge:** refers to the skills required to compute financial well being. Financial knowledge relates to the individual's ability to have knowledge regarding division, time value of money, interest paid on loan, simple interest, compound interest, concept relating to risk-return, inflation and diversification. The overall financial knowledge as discussed in the table is summation average of knowledge of division, time value of money, interest paid on loan, simple interest, compound interest, risk-return, inflation and diversification. The result shows that financial knowledge is most positive in Uttarakhand with 62.88% than in Madhya Pradesh with 55.75% and at third place in Uttar Pradesh with 55.13% and at last in Chattisgarh with 47.00%.

6.3- Comparative Study of Financial Literacy of Uttar Pradesh with Central Zone and India

TABLE-4 Data On Financial Literacy Of Uttar Pradesh, Central Zone And India

FINANCIAL LITERACY LEVEL	UTTAR PRADESH	CENTRAL ZONE	INDIA
%	10	14	20

Source: Financial Literacy & Inclusion Survey, National Centre for Financial Education, 2015 Published Data

Financial literacy or we can say that the ability of a person to take sound financial decisions plays a vital role in financial well being. If a person doesn't have sound financial knowledge he is unable to take sound financial decision. As from the table we can see that financial literacy level in Uttar Pradesh is just half of the financial literacy level in India i.e; 10% in Uttar Pradesh and 20% in India and when we make a comparison of financial literacy level of Uttar Pradesh with the central zone average financial literacy level it also lags behind i.e; 10% in Uttar Pradesh and 14% in Central Zone. The results from the analysis shows that Uttar Pradesh lags behind the average financial literacy level both at the country as well as at the zone level.

VII. Conclusion

After analysis of data and going through the background of financial literacy in Uttar Pradesh as well as Central Zone States, we draw the following conclusions:

1. Firstly, the Financial Literacy level in Uttar Pradesh is just half of the financial literacy level in India.
2. Secondly, the financial literacy level of Uttar Pradesh is less than the Central Zone financial literacy level also. And in Central Zone states Uttar Pradesh stood third in financial literacy level out of total four states.
3. Thirdly, in terms of Financial Attitude that is habit regarding money use, saving money and planning money for the long term Uttar Pradesh stood third out of four in central zone states.
4. Fourthly, in terms of Financial Behaviour that is habit making household budget; borrow to meet ends, careful purchases, paying bills and affordability for the long term etc. Uttar Pradesh stood last out of all four states in central zone which shows a serious concern.
5. At last, in terms of Financial Knowledge which shows knowledge of an individual regarding division, time value of money, interest paid on loan, simple interest, compound interest etc. Uttar Pradesh stood third out of four states in the central zone.

After studying about the financial literacy level in Uttar Pradesh and making a comparative study with central zone states, we can say that the Government should provide impart financial literacy training to different sections of the society both at the urban and rural areas at more large scale. The Government and financial institutions should take more initiatives in starting programme to educate people regarding the benefits of financial planning. The individuals at personal level should invest and save with more caution and safety after assessing the merits and demerits of the financial instruments prevalent in the market. Financial Education should be introduced at the school level curriculum so that individuals at the preliminary level can understand the benefits of financial planning because until and unless the initiatives are not taken at the grass root level all the efforts will be in vain. Initiatives should also be taken from the side of private players in the market to educate different groups of the society to impart information of financial market practices and risk management so that financially educate and literate person can invest more wisely in the market and become a more aware consumer.

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