

Financial literacy essay



**ASSIGN
BUSTER**

Financial literacy has gained the attention of a wide range of major banking companies, government agencies, grass-roots consumer and community interest groups, and other organizations.

Ineffective money management can also result in behaviors that make consumers open to severe financial crises. Improved financial literacy can benefit individuals and families by giving them more control over their money and helping them make better financial decisions.

This research paper finds the factors affecting the financial literacy.

Research Findings ‘ Results The basic demographic data were also collected. The study revealed that financial literacy is influenced by six factors, they are Managing Debt and Credit, Confidence and attitudes, Skills, Personality, Knowledge and understanding and Future financial learning and the study proved that the Flanagan literacy is the powerful predictor of demand for financial consultancy services.

Tools used: Factor analysis. Correlation Practical implication The benefits of a financial literacy on a personal level can be individuals may save more, and better manage risk. There may even be general equilibrium effects: increased demand by households for financial services may improve risk-sharing, reduce economic volatility, improve intermediation, and speed overall financial development. This in turn could facilitate competition in the financial services sector.

Keywords: Financial Literacy, Financial services, Households, Factor,

Correlation INTRODUCTION TO THE STUDY In recent years, financial literacy has gained the attention of a wide range of major interest groups, and other

organizations. Interested groups, including policymakers, are concerned that consumers lack a working knowledge of financial concepts and do well-being. Such financial literacy deficiencies can affect an individual's or family's day-to-day money management and ability to save for long-term goals such as buying a home, seeking higher education, or financing retirement.

Ineffective money management can also result in behaviors that make consumers vulnerable to severe financial crises.

From a broader perspective, market operations and competitive forces are compromised when consumers do not have the skills to manage their finances effectively. Informed participants help create a more competitive, more efficient market. As knowledgeable consumers demand products that meet their short- and long-term financial needs, providers compete to create products having the characteristics that best respond to those demands.

As concern about financial literacy has increased, so too have the number and variety of financial literacy training programs and program providers—some offering comprehensive information on savings, credit, and similar topics for a broad audience and others tailored to a specific group, such as youth or military personnel, or focused on a specific goal, such as home ownership or savings. The National Foundation for Educational Research, for example, defined financial literacy as “the ability to make informed judgments and take effective decisions regarding the use and management of money” (Monocot et al, 1992).

Financially capable people are able to make informed financial decisions. They are numerate and can budget and manage money effectively. They

<https://assignbuster.com/financial-literacy-essay/>

understand how to manage credit and debt. They are able to assess needs for insurance and protection. They can assess the different risks and returns involved in different saving and investment options.

They have an understanding of the wider ethical, social, political and environmental dimensions of finances. “ Financial literacy could therefore be defined as an individual’s ability to obtain, understand and evaluate the relevant information necessary to make decisions with an awareness of the likely financial consequences” (Mason and Wilson, 2000). According to some experts financial literacy has four discrete aspects: Managing money. Planning ahead. Making choices. Getting help.

People discussed the issues about knowledge, understanding, skills, attitudes, confidence and personality in the context of their behavior in relation to these four activities.

They felt that personality, confidence and attitudes were inextricably bound up with knowledge and skills, with the outcomes reflected in behavior.

Managing money Financially capable people needed to be well organized, particularly when it came to paying bills, and keeping and using financial records. **Planning ahead** This is required for two purposes: to cope with unexpected events and to make provision for the long term.

Making choices Given the array of financial products available, being aware of what was on offer and being able to choose those that were most appropriate to an individual’s circumstances were important aspects of financial literacy. **Getting help** This had two dimensions: self-reliance and using third parties. First, people should know where and when to turn for

advice and help from a third party. They would also be able to Judge how much trust to place in the information and advice provided. REVIEW OF LITERATURE The table below shows the reviews on financial literacy and their findings.

S.

NO Title of the Paper Author Variable Studied Methodology Objectives of the Study Sample Studied Findings of the study Financial Literacy and Investment decisions of Indian Investors NCR palate Seth G. N. Pate K.

K. Krishna Financial Literacy Demographic Variables Questionnaire 1. Financial Literacy among the samples 2. Relationship between age, Income and Education 3. The preferred investment instrument 140 Middle Class and Lower Middle Class People – A case of Delhi and 1 .

High income respondents have high financial literacy score than low income people. 2. LICE is the most effective financial instrument. .

Shawn Cole Niles Fernando Financial literacy Savings Descriptive Study 1 . Lamentation of Financial Literacy 2. Relationship between Financial literacy and savings Financial literacy Influences Savings and Investments. 3. Financial Literacy and Financial Planning: Evidence From India. Summit Augural Gene Monomer Investment Behavior The study examines the investment behavior, liability choice, risk tolerance and insurance usage of program participants by conducting a financial advisory program.

Clients of Investment Yogi Financial Advisory Services in Hydrated.

Majority of the respondents are financially literate. The study implies that there exist significant variations across demographic groups and reveals that there exist relationships between literacy and socioeconomic variables 4.

Prices (or) Knowledge? What drives demand for financial services in emerging markets? Shawn Cole Financial Literacy and Household behavior Demand for Financial Services Surveys, Field experiment To prove two theories: 1 . The financial services are expensive that low income does informal savings 2.

Financial literacy serves as an important barrier to demand for services.

Households in India. Through stratified sampling 112 villages and 3, 360 households was selected for the study. 1.

Financial literacy has no impact on the probability of opening bank accounts.

2. Modest subsidies have large effect. 5 The Abs's of financial literacy –

Experimental evidence on attitudes, behavior and cognitive biases Fennel's

Crapper Shawn Cole Financial literacy and Financial behavior Experiments

Which channel of financial literacy education is effective? Urban households

Financial Literacy training increase individual's awareness of financial products and services. 6

Indians have better financial management skills.

Is it so? INNING Group Financial Literacy Attitude Survey financial products or

simply making financial decisions. Survey of 10 countries 5000 Sample

across 10 countries. Financial literacy percentage in India is 55%. Attitude of

Indians is to keep the cash safe as a bank balance. 7 Consumer behavior in financial markets. Financial crisis and policy implications.

Summit Augural Financial Mistakes Financial Decisions Financial education and counseling (I) Do consumers make mistakes in choosing credit Contracts? (it) If yes, do they learn from their mistakes? li) Do financial mistakes vary by age? Is financial decision making related to cognitive abilities? Does financial counseling and education help them make better financial decisions? Households Consumers (old and the young) are more prone to making financial mistakes and these mistakes are correlated with cognitive abilities. The research concludes that the role of financial counseling and education and they finds mixed evidence. RESEARCH METHODOLOGY This study has been conducted on the sample with the assumption that the result which is got from this sample may be same as result which may be got from population.

Researchers collect information by a wide variety of methods, ranging from the experimental designs used in the physical sciences through to the surveys more common in the social sciences.

Here the researcher has used purposive sampling which relies on the Judgment of the researcher as to who should be in the sample. VALIDITY TEST In order to reduce the possibility of getting the wrong answer two issues on research design is required to be mentioned: Reliability and Validity. Validity Validity is concerned with whether the findings are really about what they appear to be about (Saunders).

Validity is defined as the degree to which data collection method or methods accurately measure what they are intended to measure. Following steps were taken to ensure the validity.

Literature review has been made clearly A content validity questionnaire has been prepared and it has been given to subject experts. Content validity questionnaire has been given to some experts. In that questionnaire, they are asked to rate each statements as essential, essential but unimportant and not essential. After collecting these questionnaire, it will be analyzed and find out the C. V. ratio.