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AN ANALYSIS OF IMPACT OF DEMOGRAPHIC AND SOCIO ECONOMIC FACTORS ON FINANCIAL KNOWLEDGE

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Abstract:

A person's ability to manage his personal finance has become an important issue in today's world. Financial knowledge includes basic knowledge of key financial concepts. The study assessed the level of financial knowledge, identified the impact of demographic and socio economic factors on financial knowledge among 529 respondents in Tamilnadu. The study concluded that 18 – 25 years have low level financial knowledge and above 26 years of age posses high level of financial knowledge and financial information is gathered mostly from internet and websites.

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Key Words: Financial knowledge, personal finance, financial information…..

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Introduction:

A person's ability to manage his personal finance has become an important issue in today's world. People now–a-days are looking at different aspects of their financial affairs. Changing attitude toward money are a major catalyst stimulating the spread of this new consumer culture (Tabellario, 2009). They no longer look at only short-term financial affairs (such as money savings and borrowings) but also at long-term prospects. Financial knowledge includes basic knowledge of key financial concepts. The ability to make sense of and manipulate money in its different forms, uses, and functions, including the ability to deal with everyday financial matters and make the right choices for one's own needs (SEDI, 2008). Financial knowledge is an important but insufficient driver of responsible financial behavior. Having a positive evaluation of oneself may also be essential for individuals to initiate and persist with the daunting process of financial management (Tang and Baker, 2016).

Objectives:

- To identify the impact of demographic factors on financial knowledge.
- To identify the impact of Socio-economic factors on financial knowledge.

Review of Literature:

Tang and Baker, (2016) distinguished subjective financial knowledge from objective financial knowledge, and proposed that self-esteem relates to financial behavior both directly as well as indirectly through subjective financial knowledge. Results based on the nationally representative dataset of U.S. adults suggested that self-esteem significantly relates to individual financial behavior after controlling for financial knowledge and other socioeconomic factors. The association between self-esteem and financial behavior could be both direct and indirect through subjective financial knowledge.

Loncar and Golemac (2014) studied the level of financial knowledge at the Department of Economics and Business Economics of the University of Dobrovnik among 233 students. The research showed a positive result as they had financial literacy programme in the educational programme. They also suggested introducing financial programme in university course will improve the overall financial status of the economy.

Lusardi (2011) studied the causes of financial crisis and financial capability in among the Americans. He has found that level of financial knowledge unusually low and also there was a difference between how much they think they know and how much they actually know. It was a great shock that the individuals don't plan for their retirement and also unknowingly they have used high cost borrowing methods.

Research Design

Primary data collection was done through survey method using a well-structured questionnaire based on Bashir et al 2013, Volpe 1996. The sample size of 529 respondents in Tamilnadu (Chennai, Coimbatore, Madurai and Trichy) was chosen through convenience sampling method. Percentage analysis, One way Anova and t-test were used for the analysis through SPSS software.

Percentage analysis:

Percentage analysis is applied to assess the overall financial knowledge of the respondents.

Table 1: Overall financial knowledge

Overall financial knowledge	**Frequency**	**Percentage**
Very high	51	9.6
High	177	33.5
Neutral	140	26.5
Low	150	28.4
Very low	11	2.1
Total	**529**	**100**

Source: Primary data

The above table shows that 33.5% of respondents posses high financial knowledge, 26.5% neither posses high nor low knowledge, 28.4% posses low knowledge, 9.6% posses very high knowledge and 2.1% posses very low financial knowledge.

The present study results are similar to the Princeton (1996) and Atkinson and Messy (2012), were majority of the respondents exhibited high financial knowledge.

One way ANOVA

Analysis is done between district, area of residence, age, number of dependents education qualification, current employment status and monthly income of the family with aspects financial knowledge

District and financial knowledge

H_0: There is no significant difference between the District and financial knowledge

H_1: There is a significant difference between the District and financial knowledge.

Table 2: District and financial knowledge

	Sum of Squares	**Df**	**Mean Square**	**F**	**Sig**
Between Groups	1.049	3	0.3497	1.239	0.295
Within Groups	148.144	525	0.2822		
Total	149.193	528			

The f value is 1.239 and the significant value is 0.295 which is more than the acceptable value of 0.05 hence null hypotheses is accepted and it is inferred that the district does not influence financial knowledge.

Area of residence and financial knowledge

H_0: There is no significant difference between the area of residence and financial knowledge.

H_1: There is a significant difference between the area of residence and financial knowledge.

Table 3: Area of residence and financial knowledge

	Sum of Squares	**Df**	**Mean Square**	**F**	**Sig.**
Between Groups	1.802	2	0.9011	3.2158	0.041
Within Groups	147.391	526	0.2802		
Total	149.193	528			

The f value is 3.2158 and the significant value is 0.041 which is less than the acceptable value of 0.05 hence null hypotheses is rejected and it is inferred that area of residence influences the financial knowledge.

Age and financial knowledge

H_0: There is no significant difference between age and financial knowledge.

H_1: There is a significant difference between age and financial knowledge.

Table 4: Age and financial knowledge

	Sum of Squares	df	Mean Square	F	Sig
Between Groups	7.822	4	1.955	7.248	0.000
Within Groups	141.371	524	0.270		
Total	149.193	528			

The f value is 7.248 and the significant value is 0 which is less than acceptable value of 0.05 hence null hypotheses is rejected, and it is inferred that the age influences the financial knowledge.

Number of dependents and financial knowledge

H_0: There is no significant difference between number of dependents and financial knowledge.

H_1: There is a significant difference between number of dependents and financial knowledge.

Table 5: Number of dependents and financial knowledge

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.226	2	0.113	0.398	0.672
Within Groups	148.967	526	0.283		
Total	149.193	528			

The f value is 0.392 and the significant value is 0.672 which is more than acceptable value of 0.05 hence null hypotheses is accepted, and it is inferred that the number of dependents does not influence the financial knowledge.

Education qualification and financial knowledge

H_0: There is no significant difference between educational qualification and financial knowledge.

H_1: There is a significant difference between educational qualification and financial knowledge.

Table 6: Education qualification and financial knowledge

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	17.428	6	2.905	11.507	0.000
Within Groups	131.765	522	0.252		
Total	149.193	528			

The f value is 11.507 and the significant value is 0 which is less than the acceptable value of 0.05 hence null hypothesis is rejected, and it is inferred that education influences the financial knowledge.

Current employment status and financial knowledge

H_0: There is no significant difference between the current employment status and financial knowledge.

H_1: There is a significant difference between the current employment status and financial knowledge.

Table 7: Current employment status and financial knowledge

	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	13.909	7	1.987	7.652	0.000
Within Groups	135.284	521	0.26		
Total	149.193	528			

The f value is 7.652 and the significant value is 0 which is less than acceptable value of 0.05 hence null hypotheses is rejected and it is inferred that the current employment status influences the financial knowledge.

Monthly income of the family and financial knowledge

H_0: There is no significant difference between the monthly income of the family and financial knowledge.

H_1: There is a significant difference between the monthly income of the family and financial knowledge.

Table 8: Monthly income of the family and financial knowledge

	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	10.354	5	2.071	7.801	0.000
Within Groups	138.839	523	0.265		
Total	149.193	528			

The f value is 7.801 and the significant value is 0 which is less than acceptable value of 0.05 hence null hypotheses is rejected, and it is inferred that the monthly income influences the financial knowledge**.**

t-Test

t-test is done between gender, marital status, nature of the family and source of income with the financial knowledge.

Gender and financial knowledge

H_0: There is no significant difference between gender and the financial knowledge.

H_1: There is a significant difference between gender and the financial knowledge.

Table 9: Gender and financial knowledge

	Gender	N	Mean	Std. Deviation	Std. Error Mean	T	Sig.
Financial knowledge	Male	296	2.3516	0.52925	0.03076	1.794	0.181
	Female	233	2.2364	0.52863	0.03463		

The level of financial knowledge is high among male (2.3516) than female (2.2364). The t value is 1.794. The significant value is 0.181, which is more than acceptable value of 0.05 hence null hypotheses is accepted. It is inferred that gender does not influence the financial knowledge.

The results of the present study concur with Agarwalla *et al.*, (2013), where level of financial knowledge of women is low compared with men.

Marital status and financial knowledge

H_0: There is no significant difference between marital status and the financial knowledge.

H_1: There is a significant difference between the marital status and financial knowledge.

Table 10: Marital status and financial knowledge

	Marital status	N	Mean	Std. Deviation	Std. Error Mean	T	Sig.
Financial knowledge	Single	141	2.195	0.4515	0.03802	8.875	0.003
	Married	388	2.3393	0.55335	0.02809		

The level of financial knowledge is high among married (2.3393) than single (2.195). The t value is 8.875. The significant value is 0.003, which is less than acceptable value of 0.05 hence null hypotheses is rejected. It is inferred that marital status influences the financial knowledge.

Nature of the family and financial knowledge

H_0: There is no significant difference between nature of family and the financial knowledge.

H_1: There is a significant difference between nature of family and the financial knowledge.

Table 11: Nature of the family and financial knowledge

	Nature of the family	N	Mean	Std. Deviation	Std. Error Mean	T	Sig.
Financial knowledge	Nuclear family	389	2.2926	0.51563	0.02614	0.359	0.549
	Joint family	140	2.3238	0.57484	0.04858		

The level of financial knowledge is high among joint family (2.3238) than nuclear family (2.2926). The t value is 0.359. The significant value is 0.549, which is more than acceptable value of 0.05 hence null hypotheses is accepted. It is inferred that nature of family does not influence the financial knowledge.

Source of income and financial knowledge

H_0: There is no significant difference between source of income and financial knowledge.

H_1: There is a significant difference between source of income and financial knowledge.

Table 12: Source of income and financial knowledge

	Source of income	N	Mean	Std. Deviation	Std. Error Mean	T	Sig.
Financial knowledge	Parental income	132	2.034	0.57458	0.05001	8.758	0.003
	Personal income	397	2.389	0.48572	0.02438		

The level of financial knowledge is high among the respondents with personal income (2.3896) than parental income (2.0341). The t value is 8.758. The significant value is 0.003, which is less than acceptable value of 0.05 hence null hypotheses is rejected. It is inferred that source of income influences the financial responsibility.

Conclusion:

There is an impact of area of residence, age, educational qualification, current employment status, monthly income, marital status and source of income of the respondents on financial knowledge whereas there is no impact of district, number of dependents, gender and nature of family of the respondents on financial knowledge. 18 – 25 years have low level financial

knowledge and above 26 years of age posses high level of financial knowledge. The difference may be due to the lack of financial education at school and college level. The school and college curriculum should add financial education in their curriculum. In general the respondents posses a high level of financial knowledge where they gather financial information from internet and websites.

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