

## FINANCIAL LITERACY OF HIMACHAL PRADESH “A CASE STUDY OF SHIMLA”

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### ABSTRACT

The present paper focuses on determining the financial literacy level of people living in Shimla the capital of Himachal Pradesh. In Shimla most of the people belong to service class, followed by business class and agriculturist. People were asked about different financial instruments like Bank Deposits, Post Office Saving Schemes, Mutual Funds, Life Insurance, Stock market etc. According to RBI, Financial literacy can broadly be defined as “providing familiarity with and understanding of financial market products, especially rewards and risks, in order making informed choices”. The study also analyses the relationship between financial literacy and the demographic and socio economic factors like age, gender, income occupation, education, marital status, type of family etc.

**KEYWORDS:** Financial Literacy, Financial Instruments

### INTRODUCTION

In current scenario financial literacy has become much more issue of serious concern in various groups like governments, bankers, employers, financial markets and other organizations especially in developed countries. Financial literacy has gained such importance due to the introduction of new financial products, changing financial markets and changes in political, demographic, economic and socio-culture factors (Kalli, Tamimi 2009).

Policymakers believe that consumers do not have enough knowledge of financial concepts and do not have the tools they need to make decisions which are beneficial for their economic well-being. These 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 (Braunstein, Welch 2002)

### Financial Literacy Definition

Financial literacy is becoming an area of concern for everyone even though there is increased number of financial education programs happening today. In spite of all this there is no agreed definition of financial literacy.

Financial literacy is defined as the ‘ability of an individual to make informed judgments and to take effective decisions regarding the use and management of money’ (ASIC: 2003, Noctor, Stoney and Stradling: 1992). More inclusive definition was published in the Journal of Financial Service Professionals which indicated that ‘personal financial literacy is the ability to read, analyse, manage and communicate about the personal financial conditions that affect material well being’ (Anthes: 2004). Many definitions have been in case of financial literacy a few important considerations have been made in the present study which includes individual level of financial literacy, various demographic, socio-economic and cultural factors which affects the final literacy.

### **Importance of Financial Literacy**

In recent years financial literacy has assumed greater importance, as financial markets have become increasingly multifaceted and as there is information unevenness between markets and the common people, because of which a person finds it very difficult to take good financial decisions. Financial literacy is an important tool for promoting financial stability therefore developed and developing countries are focusing on programmes for financial literacy. In India, the need for financial literacy is even greater considering the low levels of general literacy and the large section of the population, which still remains out of the formal financial loop. With no established banking relationship, the un-banked poor are pushed towards expensive alternatives.

In crunch times the challenges of household cash management that too with few resources could be stressed by the lack of skills or knowledge to make well-informed financial decisions. Financial literacy can help to them to cope up in a better way when a financial emergency arises and they can save themselves from unnecessary debt.

A person should be financially literate to know the importance of preparing household budgets, cash-flow management and asset allocation to meet financial goals. People generally save money for future needs but the approach is to save enough money without preparing household budgets, without prioritising personal financial goals, without properly allocating investments in different asset classes and without understanding the real rate of return (Pallavi Seth et al 2010). Financial literacy in current scenario is very important in order to accomplish individual financial goals and make themselves prepared in case of future financial emergencies.

### **REVIEW OF LITERATURE**

The financial literacy is quite wide as there is no specialization in the field which has to be quantified. Example can be that it may be right to perceive a person is not financially literate if they have less knowledge about the rates of interest of credit cards or minimum payment of balance, the only thing may be that the person does not believe in a situation of debt. There are some sections of the society that do not agree to a debt lifestyle and may not be aware of credit card issues or loan interest rates such as compound interest or effective interest rates (EIR). Therefore, the definition of financial literacy does not identify the level or depth of an individual's literacy; therefore, it can be construed as being the least delineated construct. As (Mason and Wilson 2000), stated that the concepts of financial awareness are not properly conceptualized this may be because of the synonymous use of the term financial awareness. Studies have shown that financial literacy does not mean that a person would be able to make the right financial decision, as that person may not be familiar with the financial awareness of the financial construct or particular instrument (Marriott and Mellett: 1996). Similar to the tests of Marriott and Mellett, there are a number of such tests and learning programs administered or established by financial institutions, governments and citizens websites. One such test revealed significant differences in the statistical analysis when structured modeling were applied to the data as compared to treating the evaluations as independent and disregarding the inherent correlation structures can result in erroneous conclusions (Fry et al 2006).

Chen & Volpe (2002) in their study concluded that there are gender differences in personal financial literacy among college students and females were less financially literate their male counterparts even after controlling other factors. Both males and females, however, they found that major field of study had a significant effect on financial literacy; that business majors were likely to know more about personal finance than non-business majors. They also found that males ranked themselves more financially literate than females, and more males ranking personal finance as an important

subject than females. The study showed positive relationship between age and most of the behavioral indicators for age group 25-34 while no such association was found for age group 18-24. Household income also showed a relatively strong positive association with financial control such as having savings and investments. Education was also found crucial in choosing financial products and staying informed.

2011 adult financial literacy survey found relationship between financial literacy and demographic and other characteristics of respondent's (ANZ 2011). It focused on five behavior indicators namely, keeping track of finances, planning ahead, choosing financial products, staying informed, and financial control. The results revealed strong positive associations between age and most of the behavioral indicators from the age group 25-34 while no such association was observed for age group 18-24. Household income also showed a relatively strong positive association with financial control such as having savings and investments. Additionally, education had a strong positive association with choosing financial products and staying informed.

ANZ in a study conducted in 2003 found a major concern for the youth debt levels in Australia as it was in UK. Study also found that low levels of financial literacy was associated with low levels of employment, single and ages between 18-24 (ANZ: 2005).

Financial literacy can be considered to be low among youth as most of the research had shown that it was due to the level of complexities and variety in the financial world. On the other studies in the UK have shown that numeric skills are also low among youth (Atkinson & Kempson: 2004). Numerical skills are important in assisting the understanding of financial skills. There is support in many countries such as Australia and the UK to have financial skills taught at middle school levels across the curriculum (ASIC: 2003, Atkinson & Kempson: 2004). This could be achieved in the mathematics syllabus when students are taught financial terminologies such various types of interest rates. Such studies should be compulsory for all students regardless of their streams of studies or careers.

From the literature review, it appears that gender, race, age education, household income, and marital status influence financial literacy. In other words, on average, males are more financially literate than females; Whites are more financially literate than Blacks; older persons are more financially literate than younger; more educated persons are more financially literate than less educated persons; higher income households are more financially literate than lower income households; and married persons are more financially literate than non-married persons. However, financial literacy in itself does not indicate whether or not one had taken financial education classes before.

One could be financially literate through experience or by being self-taught, rather than attending some formal classes. Thus, it is not unequivocal that these socioeconomic factors impinge on financial education the same way they impinge on financial literacy. Consequently, this study seeks to examine the impact of socioeconomic factors on whether or not participants had taken prior financial education classes.

## **OBJECTIVE OF STUDY**

The present study was aimed at to measure financial literacy level of people of Shimla the capital of Himachal Pradesh. For the fulfillment of the study following objectives were framed:-

- To measure the financial literacy level of people of Shimla.

- To study the relationship between demographic, socio-economic and cultural profile of respondents and financial literacy.

## RESEARCH DESIGN

Research Design refers to blue print for the research. It is a plan through which observations are made and data is assembled. It provides an empirical and logical basis for drawing conclusions and gaining perfect knowledge. To accomplish the above objective of the study both primary and secondary data was collected.

To fulfill the stipulated objectives, study was undertaken in Shimla the capital of Himachal Pradesh.

### Sampling & Data Collection

A questionnaire was developed, and used to collect the data for the study. It had sections on financial instruments and demographic, socio-economic and cultural information. The questionnaire was pilot tested on ten individuals. As a result of the pilot test, it was modified before being administered. A sample of 100 people was selected by using convenience sampling method and the questionnaire was administered to low and moderate-income individuals. These 100 people belong to service class, agriculturist, house wives, businessmen etc.

### Tools Used for Analyses

To fulfill the above mentioned objectives appropriate mathematical and statistical tools were used. For the fulfillment of first objective, only those respondents were considered financially literate who had given at least 60% of the answers correctly (Pallavi Seth et al 2010).

The study also examined the relationship between the demographic, socio-economic and cultural profile of respondents and financial literacy with the help of chi square test. Following Null and Alternate Hypothesis were framed and tested by the chi-square test:-

**H<sub>0</sub>: Financial literacy is independent of demographic, socio-economic and cultural profile of respondents**

**H<sub>A</sub>: Financial literacy is dependent of demographic, socio-economic and cultural profile of respondents**

## FINDINGS

This section of the study is mainly accredited to the analysis and interpretation of the data collected with the help of well-designed questionnaire. The study was aimed to find out the financial literacy level of the people of Shimla and the relationship between demographic, socio-economic and cultural factors.

### Profile of the Study Respondents

Apart from 22 questions asked to check the basic financial knowledge of the respondents, demographic data of respondents has also been prepared which is shown in Table 1. Out of the total respondents, 18% were female and 82% percent were male. In terms of annual income, 26% of the respondents were in the income slab of up to Rs 1 lakh, 24% belongs to the income group of 1-2 lakh, 21% were having income between 2-3 lakh, 13% falls in the income slab of 3-4 lakh and 16% were in the income slab of Rs 4 lakh and above.

As far as age of the respondents were concerned 21% were in the age group of 20 to 29 years, 27% of the

respondents were in the age group of 30 to 39 years, 20% of the respondents were in the age group of 40 to 49 years and 32% of the respondents were in the age group of 50 years or above. In terms of education, 9% of the respondents were under graduate, 13% of the respondents were having educational qualifications up to graduation and 75% of the respondents have completed their post-graduation.

When the respondents were classified on the basis of their occupation it was found that 79% of the respondents were in service i.e. (Government/Semi-government/ Private Employees), 8% of the respondents were having their own business and 10% of the respondents were agriculturist. In respect of marital status, 80% of the respondents were married and 20% were unmarried. Similarly with regard to type of family i.e. either joint or nuclear 88% of the respondents belonged to the nuclear family or 12% were in joint family.

**Table 1: Profile of the Study Respondents**

Characteristics	Percentage
<b>Gender</b>	
Male	82
Female	18
<b>Annual Income in Rs</b>	
Below 1Lakh	26
1-2Lakh	24
2-3Lakh	21
3-4Lakh	13
Above 4Lakh	16
<b>Age</b>	
20-29	21
30-39	27
40-49	20
50 and Above	32
<b>Education</b>	
Under Graduate	9
Graduate	13
Post Graduate	75
Others	3
<b>Occupation</b>	
Government/Semi-Govt./Private	79
Business	8
Agriculture	10
Other	3
<b>Marital Status</b>	
Married	80
Unmarried	20
<b>Type of Family</b>	
Nuclear	88
Joint	12

### Financial Literacy Level of the Individuals

The respondents were asked some basic questions which covered the main aspects of investment about the financial instruments. The questions were directly related to the financial literacy level of the individuals and are described in the Table 2. It also contains the percentage of questions correctly answered by the respondents.

The Table 3 shows the result of the financial literacy test in which 40 respondents are financially literate and 60 respondents are financially illiterate out of 100 respondents. For every right answer 1 mark was given and for every wrong answer 0 marks is given.

**Table 2: Questions Asked to the Respondents**

S. No	Questions	Question Subject	Percentage
1	Q 1	Saving account	81
2	Q 2	Interest rate on saving account	67
3	Q 3	Life Insurance	75
4	Q 4	Nomination	76
5	Q 5	Income tax benefit in fixed deposit	48
6	Q 6	Minimum periods for investing in fixed deposit	36
7	Q 7	Nomination in saving account and fixed deposit	80
8	Q 8	Use of post office for saving	85
9	Q 9	Heard about Public Provident Fund	75
10	Q 10	Minimum amount to be deposited in PPF	67
11	Q 11	Heard about National Savings Certificate	53
12	Q 12	Tax Benefit in NSC	23
13	Q 13	Nomination in NSC	20
14	Q 14	Maturity period of NSC	21
15	Q 15	Heard about mutual funds	89
16	Q 16	Invested in mutual funds	50
17	Q 17	Tax Benefit in mutual fund	32
18	Q 18	Heard about SENSEX/National stock exchange	88
19	Q 19	Use information available on SENSEX/NSE	23
20	Q 20	Invested in shares	13
21	Q 21	D-Mat account	74

**Table 3: Result of Financial Literacy Test**

S. No	No. of Respondents Securing more than 60% Marks (Financial Literate)	No. of Respondents Securing less than 60% Marks (Financial Illiterate)	Total
1	40	60	100

### Financial Literacy and Age of Respondents

It can be seen from Table 4 that out of the total respondents belonging to age group of 20-29 years, 28.60% were financially literate and 71.40 percent respondents were financially illiterate. In the age group 30-39, percentage of financially literate was 48.10 percent and 51.90% were illiterate. In the age group of 40-49, 25 percent were financial literate and 75 percent were financial illiterate.

In the age group of above 50 years, percentage of financial literate and financial illiterate respondents were same i.e. 50 percent. In totality 40 percent respondents were financial literate and 60 percent respondents were financial illiterate. This low percentage of financial literacy may be because of lack of financial knowledge and believe in traditional saving methods.

**Table 4: Age of Respondents and Financial Literacy**

Age Group	Financial Literate	Financial Illiterate	Total
20-29	6	15	21
	28.60%	71.40%	100.00%
30-39	13	14	27

**Table 4: Contd.,**

	48.10%	51.90%	100.00%
40-49	5	15	20
	25.00%	75.00%	100.00%
Above 50	16	16	32
	50.00%	50.00%	100.00%
<b>Total</b>	<b>40</b>	<b>60</b>	<b>100</b>
	<b>40.00%</b>	<b>60.00%</b>	<b>100.00%</b>

In order to study the relationship between financial literacy and age of respondents chi square test was applied and following hypothesis were framed:

**H<sub>0</sub>: financial literacy and age of respondents are independent**

**H<sub>A</sub>: financial literacy and age of respondents are dependent**

Chi square test showed no relationship between age of respondents and their financial literacy level,  $X^2(3, N=100) = 5.10, p=.17 (p>0.1)$ . Hence the H<sub>0</sub> was accepted and inference can be drawn that age does not play any significant role in the financial literacy of the respondents and both the variables are independent of each other.

**Table 5: Relationship of Age and Financial Literacy**

Chi Square Test	Value	df	P Value
Pearson Chi-Square	5.098 <sup>a</sup>	3	.165
Likelihood Ratio	5.227	3	.156
Linear-by-Linear Association	1.073	1	.300
N of Valid Cases	100		

### Financial Literacy and Gender of Respondents

Gender plays a significant role in the financial literacy of a person. From Table number 6 it can be seen that 46.30 percent male respondents were financial literate in comparison to the female which were only 11.10 percent. Such low level of financial literacy in case of female may be because of low level of education of females. The earning members in the family are mostly male and mostly females depend upon the male counterpart as far as financial investment decisions making is concerned.

**Table 6 Gender of Respondent's and Financial Literacy**

Gender	Financial Literate	Financial Illiterate	Total
Male	38	44	82
	46.30%	53.70%	100.00%
Female	2	16	18
	11.10%	88.90%	100.00%
<b>Total</b>	<b>40</b>	<b>60</b>	<b>100</b>
	<b>40.00%</b>	<b>60.00%</b>	<b>100.00%</b>

To study the relationship between financial literacy and gender of respondents chi square test was applied and following hypothesis were framed:

**H<sub>0</sub>: financial literacy and gender of respondents are independent**

**H<sub>A</sub>: financial literacy and gender of respondents are dependent**

Chi square test showed significant relationship between gender of respondents and their financial literacy level,  $X_2^2(1, N=100) = 7.63, p = .006 (p < 0.10)$ . Hence the  $H_0$  was rejected and inference can be drawn that gender plays a significant role in the financial literacy of the respondents.

**Table 7: Relationship between Gender and Financial Literacy**

Chi square Test	Value	df	P Value
Pearson Chi-Square	7.633 <sup>a</sup>	1	.006
Continuity correction <sup>b</sup>	6.236	1	.013
Likelihood ratio	8.808	1	.003
Fisher's exact test			
Linear-by-linear association	7.557	1	.006
N of valid cases	100		

### Financial Literacy and Income of Respondents

The financial literacy was highest among the income group of 3 lakh – 4 lakh i.e. 61.50 percent followed by the income group of above 5 lakh, i.e., 37.50 percent (Table 8). The respondents belonging to the income group of up to 1 lakh were having the highest percentage of financially illiterate respondents, i.e., 65.40 percent this may be because these respondents do not have enough money to invest in the financial instruments.

**Table 8: Income of Respondents and Financial Literacy**

Income	Financial Literate	Financial Illiterate	Total
Upto 1 lakh	9	17	26
	34.60%	65.40%	100.00%
1 lakh-2 lakh	9	15	24
	37.50%	62.50%	100.00%
2 lakh-3 lakh	8	13	21
	38.10%	61.90%	100.00%
3 lakh-4 lakh	8	5	13
	61.50%	38.50%	100.00%
Above 5 lakh	6	10	16
	37.50%	62.50%	100.00%
<b>Total</b>	<b>40</b>	<b>60</b>	<b>100</b>
	<b>40.00%</b>	<b>60.00%</b>	<b>100.00%</b>

In order to study the relationship between financial literacy and income of respondents chi square test was applied and following hypothesis were framed:

**$H_0$ : financial literacy and income of respondents are independent**

**$H_A$ : financial literacy and income of respondents are dependent**

Chi square test showed no relationship between income of respondents and their financial literacy level,  $X_2^2(4, N=100) = 2.97, p = .57 (p > 0.1)$ . Hence the  $H_0$  was accepted and inference can be drawn that income do not play any significant role in the financial literacy of the respondents.

**Table 9: Relationship between Income and Financial Literacy**

Chi-Square Tests	Value	df	P Value
Pearson Chi-Square	2.963 <sup>a</sup>	4	.564
Likelihood ratio	2.902	4	.574
Linear-by-linear association	.616	1	.433
N of valid cases	100		



### Financial Literacy and Occupation of Respondents

Occupation plays a significant role in the financial literacy of a person. It can be seen that 45.60 percent respondents were financial literate who belongs to the category of government employee/semi-government employee/private employees followed by the respondents belonging to business category in comparison to the respondents who belongs to the Agriculture and other category which is clearly depicted from table 10.

**Table 10: Occupation of Respondents and Financial Literacy**

Occupation	Financial Literate	Financial Illiterate	Total
Government/Semi-Govt/Private	36	43	79
	45.60%	54.40%	100.00%
Business	3	5	8
	37.50%	62.50%	100.00%
Agriculture	0	10	10
	0.00%	100.00%	100.00%
Others	1	2	3
	33.30%	66.70%	100.00%
<b>Total</b>	<b>40</b>	<b>60</b>	<b>100</b>
	<b>40.00%</b>	<b>60.00%</b>	<b>100.00%</b>

To study the relationship between financial literacy and occupation of respondents chi square test was applied and following hypothesis were framed:

**H<sub>0</sub>: financial literacy and occupation of respondents are independent**

**H<sub>A</sub>: financial literacy and occupation of respondents are dependent**

Chi square test revealed significant relationship between occupation of respondents and their financial literacy level,  $X^2(3, N=100) = 7.77, p = .051 (p < 0.05)$ . Hence the H<sub>0</sub> was rejected and inference can be drawn that occupation plays a significant role in the financial literacy of the respondents.

**Table 11: Relationship between Occupation and Financial Literacy**

Chi-Square Tests	Value	Df	P Value
Pearson Chi-square	7.764 <sup>a</sup>	3	.051
Likelihood ratio	11.302	3	.010
Linear-by-linear association	5.210	1	.022
N of valid cases	100		

### Financial Literacy and Educations of Respondents

From Table 12 it is evident that the respondents having qualification under other category have high percentage of financial literacy i.e. 66.70 percent followed by the post graduate respondents who are 45.30 percent financially literate. The respondents who are under graduate are financially illiterate and majority of those who are graduate are also financial illiterate.

The reason for being financially illiterate respondents may be that they have not completed their higher education.

**Table 12: Education of Respondents and Financial Literacy**

Education	Financial Literate	Financial Illiterate	Total
Under-Graduate	0	9	9
	0.00%	100.00%	100.00%

Table 12: Contd.,

Graduate	4	9	13
	30.80%	69.20%	100.00%
Post Graduate	34	41	75
	45.30%	54.70%	100.00%
Other	2	1	3
	66.70%	33.30%	100.00%
<b>Total</b>	<b>40</b>	<b>60</b>	<b>100</b>
	<b>40.00%</b>	<b>60.00%</b>	<b>100.00%</b>

To study the relationship between financial literacy and education of respondents, chi-square tests was applied and following hypothesis was framed:

**H<sub>0</sub>: financial literacy and education of respondents are independent**

**H<sub>A</sub>: financial literacy and education of respondents are dependent**

Chi square test showed significant relationship between education of respondents and their financial literacy level,  $X^2(3, N=100) = 8.23$ ,  $p = 0.041$  ( $p < 0.05$ ). Hence the H<sub>0</sub> was rejected and inference can be drawn that education plays a significant role in the financial literacy of the respondents.

Table 13: Relationship between Education and Financial Literacy

Chi-Square Tests	Value	df	P Value
Pearson Chi-square	8.239 <sup>a</sup>	3	0.041
Likelihood ratio	11.417	3	0.01
Linear-by-linear association	7.906	1	0.005
N of valid cases	100		

### Financial Literacy and Marital Status of Respondents

From the table 14 it is evident that respondent who are married are more financially literate and the respondents those who are unmarried are financially illiterate, the reason for this may be that married people are more concerned about their financial planning and they must be aware of the financial needs whereas the respondents who were unmarried does not give more importance to the financial needs for present and future.

Table 14: Marital Status of Respondents and Financial Literacy

Marital Status	Financial Literate	Financial Illiterate	Total
Married	34	46	80
	42.50%	57.50%	100.00%
Unmarried	6	14	20
	30.00%	70.00%	100.00%
<b>Total</b>	<b>40</b>	<b>60</b>	<b>100</b>
	<b>40.00%</b>	<b>60.00%</b>	<b>100.00%</b>

In order to study the relationship between financial literacy and marital status of respondents chi square test was applied and following hypothesis were framed:

**H<sub>0</sub>: financial literacy and marital status of respondents are independent**

**H<sub>A</sub>: financial literacy and marital status of respondents are dependent**

Chi square test shows there is no relationship between marital status of respondents and their financial literacy

level,  $X_2(1, N=100) = 1.04$ ,  $p = .30$  ( $p > 0.1$ ). Hence the  $H_0$  was accepted and inference can be drawn that marital status does not play any significant role in the financial literacy of the respondents.

**Table 15: Relationship between Marital Status and Financial Literacy**

Chi-Square Tests	Value	df	P Value
Pearson Chi-Square	1.042 <sup>a</sup>	1	.307
Continuity correction <sup>b</sup>	.586	1	.444
Likelihood ratio	1.071	1	.301
Fisher's exact test			
Linear-by-linear association	1.031	1	.310
N of valid cases	100		

### Financial Literacy and Type of Family of Respondents

From Table 16 it is evident that respondents belonging to nuclear family are more financial literate i.e. 42.00 percent whereas the very few respondents who live in joint family are financial literate.

**Table 16: Type of Family of Respondents and Financial Literacy**

Type of Family	Financial Literate	Financial Illiterate	Total
Nuclear	37	51	88
	42.00%	58.00%	100.00%
Joint	3	9	12
	25.00%	75.00%	100.00%
<b>Total</b>	<b>40</b>	<b>60</b>	<b>100</b>
	<b>40.00%</b>	<b>60.00%</b>	<b>100.00%</b>

In order to study the relationship between financial literacy and type of family of respondents chi square test was applied and following hypothesis were framed:

**$H_0$ : financial literacy and type of family of respondents are independent**

**$H_A$ : financial literacy and type of family of respondents are dependent**

Chi square test showed no relationship between type of family of respondents and their financial literacy level,  $X_2(1, N=100) = 1.27$ ,  $p = .25$  ( $p > 0.1$ ). Hence the  $H_0$  was accepted and inference can be drawn that the type of family does not play any significant role in the financial literacy of the respondents.

**Table 17: Relationship between Type of Family and Financial Literacy**

Chi-Square Tests	Value	df	P Value
Pearson Chi-square	1.278 <sup>a</sup>	1	.258
Continuity correction <sup>b</sup>	.667	1	.414
Likelihood ratio	1.349	1	.245
Fisher's exact test			
Linear-by-linear association	1.266	1	.261
N of valid cases	100		

### Financial Literacy and Number of Family Members

From the Table 18 it can be seen that respondents having 0-5 members are 42.50 percent financial literate and 57.50 percent financial illiterate. The respondents having 6-10 family members are 16.70 percent financial literate in comparison to financial illiterate who are 83.30 percent. In case of respondents who have more than 10 family members are 100 percent financial literate.

**Table 18: Number of family members and Financial Literacy**

No. of Family Members	Financial Literate	Financial Illiterate	Total
0-5	37	50	87
	42.50%	57.50%	100.00%
6-10	2	10	12
	16.70%	83.30%	100.00%
Above 10	1	0	1
	100.00%	0.00%	100.00%
<b>Total</b>	<b>40</b>	<b>60</b>	<b>100</b>
	<b>40.00%</b>	<b>60.00%</b>	<b>100.00%</b>

In order to study the relationship between financial literacy and number of members in a family of respondents chi square test was applied and following hypothesis were framed:

**H<sub>0</sub>: financial literacy and number of family members of respondents are independent**

**H<sub>A</sub>: financial literacy and number of family members of respondents are dependent**

Chi square test showed no relationship between number of family members of respondents and their financial literacy level,  $X^2(2, N=100) = 4.45$ ,  $p = .10$  ( $p > 0.1$ ). Hence the H<sub>0</sub> was accepted and inference can be drawn that the number of family members does not play any significant role in the financial literacy of the respondents.

**Table 19: Relationship between Number of Family Members and Financial Literacy**

Chi-Square Tests	Value	df	P Value
Pearson Chi-Square	4.454 <sup>a</sup>	2	.108
Likelihood ratio	5.131	2	.077
Linear-by-linear association	.752	1	.386
N of valid cases	100		

### Financial Literacy and Number of Earning Members

From the Table 20 it is revealed that families in which the earning members are 0-1 have a financial literacy of 43.20 percent and the financial illiteracy was 56.80 percent. The families in which the earning members are 2-3 the financial literacy is 20 percent and the financial illiteracy rate is 80 percent. In case of earning members in a family are more than 3 the financial literacy rate is 0 percent and the respondents are totally financial illiterate.

**Table 20: Number of Earning Members and Financial Literacy**

No. of Earning Members	Financial Literate	Financial Illiterate	Total
0-1	38	50	88
	43.20%	56.80%	100.00%
2-3	2	8	10
	20.00%	80.00%	100.00%
Above 3	0	2	2
	0.00%	100.00%	100.00%
<b>Total</b>	<b>40</b>	<b>60</b>	<b>100</b>
	<b>40.00%</b>	<b>60.00%</b>	<b>100.00%</b>

In order to study the relationship between financial literacy and number of members earning in a family of respondents chi square test was applied and following hypothesis were framed:

**H<sub>0</sub>: financial literacy and number of members earning in a family of respondents are independent**

**H<sub>A</sub>: financial literacy and number of members earning in a family of respondents are dependent**

Chi square test showed no relationship between number of members earning in a family of respondents and their financial literacy level,  $X_2^2(2, N=100) = 3.37, p = .18 (p > 0.1)$ . Hence the  $H_0$  was accepted and inference can be drawn that the number of members earning in a family do not play any significant role in the financial literacy of the respondents.

**Table 21: Relationship between Number of Earning Members and Financial Literacy**

Chi-Square Tests	Value	df	P Value
Pearson Chi-square	3.371 <sup>a</sup>	2	.185
Likelihood ratio	4.242	2	.120
Linear-by-linear association	3.333	1	.068
N of valid cases	100		

## CONCLUSIONS

In the current scenario the financial companies are finding it difficult to sell their financial instruments such as Insurance, Mutual funds, Shares, national Saving Certificates etc in rural as well as in urban areas. This paper attempts to study the financial literacy level of people in Himachal Pradesh and particularly in Shimla rural as well as in urban areas.

The level of financial literacy among male respondents is more than the female respondents this may be because the decision making power is in the hands of the male of the family and every decision is taken by them whereas the age of the respondents does not play any significant role in the financial literacy level of the people. The respondents who are working in government/ semi-government or private sector are much more financially literate in comparison to the respondents who have their own business or are engaged in agricultural activities this may be because the people who are working some companies are much more aware about the financial instruments and their importance.

The education level of the respondents also plays a significant role in the financial literacy level of people as it can be seen that the people who are post graduate are much more financially literate than the people who are just graduate or under graduate and the most important reason for this can be that the people who are post graduate are more aware of the financial instruments and they know where they want to invest their savings. The other factors such as Marital status, type of family or the number members in the family does not play any significant role on deterring the financial literacy level of the respondents.

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