

# **Financial Literacy A Need of an Hour for Nurturing Lives and Livelihood: A Study on Households in Central Region of Uttar Pradesh in the Pre Covid-19 Scenario**

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**Abstract :** Background: The Indian economy has witnessed a rapid financial transformation in the recent time period. And with this rapid financial transformation the economy has also witnessed shift in the planning for financial responsibilities like children education, retirement planning, planning of funds for financial emergencies etc. from employer to employee which ultimately led to the growing importance of financial literacy. The purpose of the study here is to ascertain financial literacy level of Households in the Central Region of Uttar Pradesh on the basis of basic and advance financial literacy questions and also highlights the significance of financial literacy in Post COVID-19 scenario. Method: The present study considers primary source of data. A total sample from 394 Households by way of non-probability sampling convenience sample method was selected from Central Region of Uttar Pradesh to determine the financial literacy level. Result: The findings of the study revealed that more than half of the household respondents were found low in financial literacy level and lack in financial numeracy concepts as well as to cope up with financial emergency situations. Conclusion: The results clearly showed that there is urgent need to educate individuals about managing personal finance for present as well as for future emergencies which help them to face the obstacles as prevalent at present in the form COVID-19 and ultimately help them to nurture their live and livelihoods.

**Keywords:** Basic Financial Literacy, Advance Financial Literacy, Overall Financial Literacy, Central Region, Uttar Pradesh

## **1. INTRODUCTION**

Lives and livelihood has been two sides of the same coin. And in the present scenario going on in the form a global pandemic COVID-19 faced by everyone throughout the globe the question that arise on whether to protect the lives or the livelihood had become more and more important. The government has been providing assistance to each and everyone in the society to its fullest capacity whether it is in the form of medical assistance, free meals to needy ones, financial assistance to different sectors etc. At that time when the country is facing lockdowns it also tests the financial skills possessed by individuals and the financial education self possessed by them in the recent past and how efficiently he/she can manages everything wisely in this real testing times. The Indian economy has witnessed a rapid financial transformation in the recent past. And in this

rapid financial transformation there is a shift in the planning for financial responsibilities from employer to employee which ultimately led to the growing importance of financial literacy. “**The Organization for Economic Co-Operation and Development (OECD)** has defined **Financial Literacy** as combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.” The government in the recent time has also taken initiatives in the form of starting financial literacy counseling centers, started financial inclusion drives to include the financially excluded population of the country, started different financial schemes for the welfare of the public. Here in this paper the financial literacy status of the household respondents in the central region of Uttar Pradesh in the Pre-COVID 19 scenario has been studied and on the basis of the results importance of financial literacy in this ever changing world has been showcased.

## 2. LITERATURE REVIEW

Lusardi (2008) conducted study to examine the financial literacy among the “U.S. population based on different demographic groups” by dividing the questions on financial literacy into two parts basic and advance financial literacy questions. The findings of the study revealed that low level of financial literacy among the U.S. population especially “among those who are less educated, African-Americans and Hispanics”. And due to low financial literacy restrict the different population group to participate in financial markets, retirement planning and managing finance wisely.

Karaa and Kugu (2016) had conducted study on 1119 higher education students in Turkey to ascertain the financial literacy level based on basic and advance financial literacy. The study also established the relation prevalent between the basic and advance financial literacy. The findings from the study revealed that there is a worth mentioning relation prevalent between the basic and advance financial literacy and there are certain concepts in advance financial literacy which were explained with the help of basic financial literacy.

Subha and Priya (2014) had conducted study to assess the factors influencing the financial literacy of households with the help of factor analysis statistical tool. The findings from the study revealed that there six factors which influence the financial literacy and are “managing debit and credit, confidence and attitudes, skills, personality, knowledge and understanding and future financial planning”. The findings from the study also highlighted that financial literacy played an important role of a medium for enhancing the demand of “financial consultancy services”.

Jayanthi and Rau (2019) had conducted study examine the financial literacy of rural households in south India. The study was conducted in the state of Tamil Nadu state on 126 household respondents in rural area. The findings of the study revealed that there are certain demographic factors like family type, marital status, bank and educational

background which played an important role in predicting financial literacy. The result from the study also highlighted that bank also played an imperative role towards financial literacy and the banks with the help of different modules work to educate the public of important issues financial in nature.

### 3. OBJECTIVE

The objective of the present study is to find out the financial literacy level of households in the Central Region of Uttar Pradesh.

### 4. METHODOLOGY

The Table 1.1 reveals the methodology of the study undertaken:

**Table: 1.1**  
**Methodology**

<b>Research Design</b>	Descriptive Research Design
<b>Population</b>	Households in Central Region of Uttar Pradesh
<b>Sample Size</b>	394 Household Respondents
<b>Sample Method</b>	Non-Probability Sampling Convenience sample method
<b>Type of Data</b>	Primary Data
<b>Data Collection Method</b>	Survey and Personal Interview
<b>Research Instrument</b>	Structured Questionnaire (5 Point Likert Scale)
<b>Period of Data Collection</b>	July, 2019 to September, 2019
<b>Statistical Tools Used</b>	Mean, Median, Percentage

As per the Statistical Diary, Uttar Pradesh 2015 the Central Region of Uttar Pradesh consists of ten districts. In this study out of total ten districts four districts Lucknow, Kanpur Nagar, Barabanki, Fatehpur were chosen to conduct the study.

#### Data Reliability

In Table 1.2 the Cronbach's alpha value of total thirteen questions asked financial literacy is given. The Cronbach's alpha value for 13 questions asked on financial literacy comes at .845 which is above 0.7. And as per "Hair et al. (2009) also the generally accepted lower limit value for Cronbach's Alpha is 0.7."

**Table: 1.2**  
**Data Reliability**

Variable	Cronbach's Alpha	Number of Questions
Financial Literacy Statements	.845	13

#### Demographic Profile of Households in Central Region of Uttar Pradesh

The Table 1.3 given below shows the demographic Profile of the household respondent in the central region of Uttar Pradesh.

**Table: 1.3****Demographic Profile**

<b>Demographic Profile</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Family System</b>		
Joint Family	202	51.30
Nuclear Family	192	48.70
<b>Gender</b>		
Male	179	45.40
Female	215	54.60
<b>City</b>		
Lucknow	98	24.87
Kanpur Nagar	98	24.87
Barabanki	99	25.13
Fatehpur	99	25.13
<b>Occupation</b>		
Business Class	139	35.30
Service Class	183	46.40
Others	72	18.30
<b>Family Annual Income</b>		
Less than 200000	131	33.20
200001-400000	128	32.50
400001-600000	56	14.20
600001 or More	79	20.10
<b>Total</b>	<b>394</b>	<b>100.00%</b>

*Source: Primary Data*

From the Demographic Profile of the Households Respondents in Central Region of Uttar Pradesh it can be inferred that 51.30% of the respondent belongs to joint family and 48.70% of the respondents belong to the nuclear family type. In the gender wise classification 45.40% of the respondents were male and 54.60% of the respondents were female. In the gender wise classification 38.34% students were male and 61.66% of students were female. In the city wise classification 24.87% of household respondent are from Lucknow and Kanpur Nagar whereas 25.13% of the respondent are from Barabanki districts of the central region of Uttar Pradesh. In the occupation wise classification 35.30 % respondents are from business class, 46.40% of the respondent from service class and 18.30% respondents are from others. In the Family Annual Income wise classification

33.20% respondents are in the family income group of Less than 200000, 32.50% in the family income group of 200001 to 400000, 14.20% in the family income group 400001 to 600000 and 20.10% in the family income group of 600001 or more.

## 5. RESULT

The Table 1.4 given below shows the result of question asked from respondents regarding preparation of monthly budget.

### Monthly Budget Preparation

**Table: 1.4**

Are you preparing Monthly Budget?	Yes	No
	47.46% (187)	52.54% (207)

The Table 1.5 given below shows the result of question asked from respondents regarding financial decision making in the family.

### Financial Decision-making

**Table: 1.5**

Decisions related to the financial matters in the family are taken by?	Self	Spouse	Joint Consultation	Others
	22.36% (88)	12.80% (50)	37.00% (146)	27.84% (110)

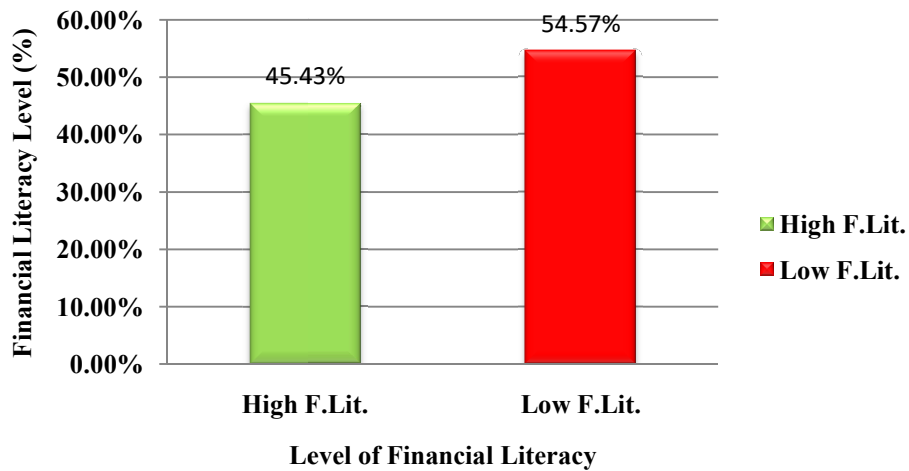
### Overall Financial Literacy

To ascertain the overall level of financial literacy of households in Central Region of Uttar Pradesh 13 questions on Five Point Likert Scale were asked out of which 04 questions were asked on Basic Financial Literacy in which questions related to numeracy, diversification of risk, inflation and interest rate calculation were asked whereas in Advance Financial Literacy 09 questions on related to banking, share market and post office schemes were asked. To ascertain the level of financial literacy each statement asked has been assigned 01 mark. When a respondent answered correctly awarded 01 mark and for incorrect or don't know response no marks has been given. The result showed that at an average respondent has answered around 73.64 percent questions correctly. Here the median value comes at 81.21 percent. The median percentage of correct answers has been taken to calculate the financial literacy level. Hence the respondent answered equal and above median correct answer 81.21 percent will be considered with high financial literacy and the respondents answered below median correct answer percentage will be considered respondents with low financial literacy Lyons (2007).

**Table: 1.6**

<b>Basic Financial Literacy</b>	<b>Correct Answer (%)</b>	<b>Don't Know (%)</b>	<b>Wrong Answer (%)</b>
Numeracy	27.15	17.26	55.59
Diversification	79.69	11.68	08.63
Inflation	82.74	09.64	07.62
Interest Rate Calculation	30.20	10.91	58.89
<b>Advance Financial Literacy</b>	<b>Correct Answer (%)</b>	<b>Don't Know (%)</b>	<b>Wrong Answer (%)</b>
Post Office Recurring Deposit Scheme	81.21	08.63	10.16
Mutual Funds	77.15	09.40	13.45
National Saving Certificate	82.99	08.38	08.63
Shares	85.02	06.85	08.13
Fixed Deposit Scheme	82.48	10.11	07.41
Bonds and Debentures	78.68	10.15	11.17
Permanent Account Number	90.35	05.34	04.31
Kisaan Vikas Patr (KVP)	86.54	07.86	05.60
Aadhar Enabled Payment System (AePS)	73.09	14.72	12.19

Source: Primary Data

**Figure: 1.1 Overall Financial Literacy Level**

## 6. DISCUSSION

The result from the study clearly revealed that:

- 1) Only less than fifty percent of the household were preparing monthly budget to allocate finance for their expenses.
- 2) In a question asked regarding financial decision making in the family around twenty two percent of the respondents answered that they take financial decisions at their own, twelve percent respondent answered financial decisions are taken by spouse, thirty seven percent respondent answered financial decision making was based on joint consultation between self and spouse and around twenty seven percent respondent answered the financial decisions are taken by other.
- 3) The overall financial literacy level based on the question asked on basic and advance financial literacy questions more than half of the respondent were found low financial literate. Only Forty five percent of the household respondents were found with high financial literacy level.
- 4) The result attained from the financial literacy level of households in Central Region of Uttar Pradesh in the present study “is in line with a number of previous studies including Lusardi and Mitchell (2007), Al - Tamimi and Bin Kalli (2009), Jariwala (2013), Akhter (2016) and Patel (2017)”.
- 5) The result from Basic financial literacy questions revealed that in the question asked on numeracy twenty seven percent and in interest rate calculation only thirty percent of the respondent have answered questions correctly which showed a serious concern among household respondent regarding their calculation ability.
- 6) The result from Advance financial literacy questions revealed that in the question asked Permanent Account Number (PAN) highest number of respondent around ninety percent of respondent answered correctly and whereas in the question asked on Aadhar Enabled Payment System (AePS) respondent answered correctly was lowest seventy three percent of the respondent have answered correctly.

## 7. CONCLUSION

The results from the study clearly revealed that the overall financial literacy level of households found based on the two components basic and advance financial literacy was low. The results also revealed that more than half of the household respondents are also not preparing the monthly household budget to manage their monthly expenses which also shows serious concern. The poor numerical ability and interest rate calculation skills among the household respondents from the results also showed that there is an urgent need to educate individuals about managing personal finance smartly, importance of inheriting healthy financial skills and practices and which ultimately bring financial preparedness among them to cope up with the present as well as for future financial emergencies which

will help them to nurture their lives and livelihoods and make a step further in making this society a prosperous one.

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