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Research Article

Analysis of determinants of Financial Literacy Levels among IT Sector Employees of Visakhapatnam district, Andhra Pradesh, India

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Abstract

Employees working in the IT sector have a wider knowledge of using the technology, and these are having a stable income monthly. Due to the working conditions and pressure, the majority of the employees are not focusing on their finance. Financial literacy is all about knowing and understanding how to invest, acquire and save money. It is also known as the skill and the ability to use financial resources in making decisions. This research primarily focuses on determining the levels of financial literacy and financial decisions made by employees in the IT industry. About 132 respondents were considered for the study and analyzed their responses. The findings portray that gender, marital status, annual income, and type of employee do not affect the levels of financial literacy, whereas age and educational qualification show an effect.

Keywords: Financial Literacy, Financial Decisions, Financial well-being, Personal finance.

Introduction

Consumers may choose from a wide range of products and providers to suit their financial requirements in today's complicated financial services industry. This level of choice necessitates that customers have the knowledge and ability to assess the options and choose the best fit their wants and circumstances. A primary degree of financial literacy is required to appreciate the risk and return associated with these products. Individuals who are financially educated are better able to use financial products and services and are less likely to be deceived by people providing them financial products that are improper for them. Financial literacy improves the quality of financial services while also contributing to a country's economic growth and development. Financial illiteracy is linked to and often causes adverse financial outcomes.

Employees are the most important contributors to society's development. In the recent decade, the IT sector gained a lot and contributed to the Indian economy. Comparatively, this sector employees paid bit a high, and the salaries are structured. These employees need to have financial knowledge for their future economic well-being. Employees with financial expertise can better compare financial products and services and make informed financial decisions (Peter J. Morgan and Long Q. Trinh, 2017). Financial competence is the ability to achieve financial well-being by using basic financial knowledge and engaging in desirable financial activities (Jing JX and Nilton P, 2017).

Financial Literacy

OECD/INFE defined financial literacy as "a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being." Financial literacy leads to better financial decisions, impacting the individual financial position and the nation's financial position. Previous research has shown that financial education improves financial knowledge and motivates customers to engage in desired financial behaviours (Bayer et al., 2009; Joo and Grable, 2005).

Financial literacy is all about having financial knowledge and also understanding various fields of finance. Studies mainly deal with personal finance, managing money, borrowing, and investing wisely. As per Huston (2010), there are two dimensions in financial literacy: understanding and use. ***Understanding*** refers to personal financial knowledge or financial education, while ***use*** refers to using such information in personal financial planning. Financial knowledge is a type of human capital that may be developed at any point in one's life by learning topics that affect one's capacity to efficiently manage savings, revenues and expenses (Delavande, Rohwedder and Willis, 2008).

Robert N. Killins (2017) investigates the financial literacy levels of the Generation Y generation and how personality qualities influence one's financial understanding. He discovered that Generation Y is more financially literate in budgeting and risk management, but not retirement planning. Financial literacy is low in young, old, and women with low income or little educational knowledge, according to Johan Almenberg and Jenny Save-Soderbergh (2011). Higher levels of financial literacy were identified among those who had attempted to plan for retirement.

Financial literacy levels are vary depending on an individual's educational background, income, age, gender and employment. However, research has shown that highly educated people who have high-income areas ignorant about financial matters as less educated low-income individuals. In both developing and developed economies, financial illiteracy is a significant problem. They fail to grasp the financial principles, and in managing financial risks effectively, Mandell (2007) conducted surveys on financial literacy in the US from 1997 to 2006 and identified that financial literacy did not affect by financial education; Fernandes et al. (2014) examine the association between financial literacy and financial education by using meta-analysis and found that the financial education does not effectively improve financial literacy.

Lusardi and Mitchell (2014) created a life cycle savings model that takes financial literacy into account. The theoretical model introduced borrowing limitations, mortality risk, demographic concerns, returns in the stock market, and income and health issues. They ran simulations with reasonable parameters using the standard utility framework. According to this approach, financial literacy is determined endogenously throughout one's life. Investors invest in financial information to the extent where the minimal expenses of time and money are equivalent to the marginal rewards. According to these projections, customers who obtain financial education will enhance their skills to achieve their monetary goals and perform better economically than those who do not.

Huhmann (2014) proposed a theoretical framework to recognise and describe the factors that impact financial literacy development. According to this model, financial literacy has three components: capacity, which refers to an individual's essential cognitive capability; prior knowledge, which refers to prior financial understanding; and proficiency, which refers to the skilful application of financial ability to achieve desired financial results. In this theoretical model, financial education is considered one of the factors of financial literacy through consumer socialisation, the three components of financial literacy development. Huhmann also mentions a few psychological factors that influence the outcome of financial literacy. According to this perspective, financial education contributes to financial literacy by enhancing consumers' study, acquire, and use of financial knowledge

Demographic factors influence Financial Literacy

Age: According to Finke et al. (2017), financial decision-making skills are declined with age. Choi et al. (2014) discovered that respondents over 65 years had low economic decision-making quality. In contrast, Agarwal et al. (2009) found that the quality of credit choices among borrowers deteriorates later high financial literacy levels in the mid-50s.

Gender: As per Wagland and Taylor (2009), few research studies have indicated gender is an important determinant influencing financial literacy (Panu K and Olli-Pekka R, 2017). For example, found that women had lower financial literacy than males, which substantially impacted their capacity to attain economic stability and prepare for retirement (Shizuka Sekita 2011; Goldsmith and Goldsmith, 1997). According to Elsa Fornero and Chiara Monticone (2011), men are more educated and have higher financial literacy levels.

Married status: According to Volpe et al. (2002), there is an association between financial literacy and marital status. They discovered that married people were more financially knowledgeable than singles. On the other hand, Joo and Grable (2004) found no association between financial literacy and marital status.

Education**:** According to the Australian Securities and Investments Commission (ASIC) (2011) and the Consumer Financial Education Body, financial literacy is linked to education (CFEB). According to Capuano and Ramsay (2011), financial literacy education is crucial for lowering suboptimal financial behaviour. Lusardi et al. (2014) discovered that a lack of education is linked to poor financial literacy. This is exacerbated for migrants who struggle to read and understand the local language. Amari Mouna and Anis Jarboui (2015) identified that university students have inadequate knowledge of personal investment.

Income: Varied income levels have been connected to different levels of financial literacy. Individuals with a low income had poorer levels of financial literacy, according to the study. Previous research has shown a link between the two (Marcolin and Abraham, 2006). Financial literacy research focused on students is usually the exception to these results because of the connection between low-income and insufficient financial literacy levels (Beal and Delpachitra, 2003).

Employment**:** According to SRC's study (2015), white-collar job holders (i.e. professionals) were more financially literate than blue-collar employees (i.e. manual labour). People with insufficient financial literacy levels are shown to have low employment levels (Marcolin and Abraham, 2006).

Statement of the problem

Financial difficulties have a demonstrable detrimental impact on a worker's health and productivity. Many studies have shown that financially distressed workers carry their financial stress to work, impacting productivity, the total profit figure of the company, and the work culture in the long term. There is a strong association between financial difficulties and diseases related to stress (Sporakowski, 1979). Individuals experience financial pressure or strain once they cannot fulfil their financial obligations, and one of the most critical sources of worker stress is personal finances (Kim and Garman, 2006). As a result, financial difficulties and stress impact an employee's personal and family life and cost companies' money. Financial literacy is a worldwide issue. Financial literacy is essential because of complicated financial products, poor awareness, and a lack of understanding about financial issues. As a result, research into the elements that affect employee financial literacy is needed. The research results will assist businesses and policymakers in developing suitable measures to increase financial knowledge among the general public.

Objectives of the Study

The study aims to assess IT employees' financial literacy and investigate its relationship and other demographic and socio-economic characteristics.

Methodology of the study:

To pursue the objectives mentioned above, data was collected from IT sector employees using a structured questionnaire. Financial literacy levels were measured by asking respondents questions on a five-point Likert scale. A questionnaire is designed and float through google forms to 160 respondents, out of which only 132 respondents have duly filled all the questions. Six demographic factors are considered for the study: Age, Gender, Marital Status, Educational Qualifications, Annual income, and type of employment.

Hypothesis: The following are the developed Hypothesis for the study:

1. There is no significant difference between Age and Financial literacy levels of employees.
2. There is no significant difference between Gender and Financial literacy levels of employees.
3. There is no significant difference between Marital status and Financial literacy levels of employees.
4. There is no significant difference between Educational qualification and Financial literacy levels of employees.
5. There is no significant difference between Annual income and Financial literacy levels of employees.
6. There is no significant difference between the type of Employment and Financial literacy levels of employees.

Analysis

Any statistical element that influences population growth or decreases is included in demographics. However, certain characteristics are essential: population size, density, age structure, fecundity (birth rates), mortality (death rates), and the sex ratio (Dodge 2006). The demographic profile of the employees has presented in Table – 1. The majority of the respondents fall under the age group of less than 40 years (33 per cent), and only 11 per cent of respondents are in the age group of more than 50 years. About 68 per cent of the respondents are in the male category, and 32 per cent are in the female category. As many as 62 per cent of the respondents are married, and 38 per cent of the respondents are in the unmarried class. The majority of the respondents are Post Graduates (52 per cent), and nearly 37 per cent of the respondents are Under Graduates. More than half of the respondents' annual income is between ₹5,00,000-₹10,00,000, and only 4 per cent of the respondent's yearly income is more than ₹15 lakh.

Table 1: Basic characteristics of surveyed valid sample

Category	Option	Number of observations	Proportion
Age	<30	44	33
	31-40	43	33
	41-50	30	23
	>50	15	11
Gender	Male	90	68
	Female	42	32
Marital status	Single	50	38
	Married	82	62
Education	UG	49	37
	PG	68	52

	Others	15	11
Annual income (₹)	< 5,00,000	38	29
	5,00,000-10,00,000	67	51
	10,00,000 – 15,00,000	21	16
	> 15,00,000	6	4
Type of employee	Permanent	108	82
	Contract	24	18

Source: Primary Data.

The significance between demographic factors and level of financial literacy is presented in Table 2. It is observed that there is no significant difference in the level of financial literacy among the different age groups. Thus, it is concluded that financial literacy and age has no association.

It is observed that there is a significant difference in the level of financial literacy and gender. Thus, it is concluded that there is an association between financial literacy and gender.

It is perceived that there is a significant difference in the level of financial literacy and Marital Status of employees. Thus, it is determined that financial literacy and Marital Status has an association.

As per the Table, it is noted that there is no significant difference in the level of financial literacy and educational qualification of employees. Thus, it is concluded that financial literacy and educational qualification has no association.

It is also understood that there is a significant difference in the level of financial literacy and Annual Income of employees. Thus, it is concluded that financial literacy and Annual Income has an association.

It is observed that there is a more significant difference in the level of financial literacy and the type of employee. Thus, it is concluded that there is an association between financial literacy and the kind of employee.

Table 2: Statistical description of variables participated in financial literacy

Demographic Factors	F Value	Significance Level
Age (Years)	0.823	0.483
Gender	3.068	.030*
Marital Status	4.833	.003**
Educational Qualification	1.444	0.233
Annual Income	3.55	.016*
Type of Employee	8.864	.000**

Source: Primary Data.
**P<.05; **P<.01*

Conclusion:

As per the findings of this study, gender, marital status, annual income, and type of employee show no influence on financial literacy, whereas age and educational qualification do. It is found from the analysis that employee's overall financial literacy levels are not encouraging. We found that people are still not much aware of issues relating to finance. The level of financial literacy varies from employee to employee as per demographic and socio-economic factors. Long-term financial education programs have helped consumers develop good financial habits at a young age. On the other hand, financial education may be effective only if it has been targeted.Promoting financial literacy is an essential skill in this 21st century to thrive economically in today's society. Many states have focused on financial literacy and the development of financial skills. Financial literacy is a type of human capital investment.

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