

**FINANCIAL LITERACY IN DARJEELING DISTRICT:  
INITIATIVES AND IMPACT**

A Thesis Submitted

To

**Sikkim University**



In Partial Fulfilment of the Requirement for the  
**Degree of Doctor of Philosophy**

By

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February 2019

*Dedicated*

*To*

*My Beloved Aama and*

*Baba*

Date: 27/02/2019

## DECLARATION

I, Pramesh Chettri, hereby declare that this thesis entitled "**Financial Literacy in Darjeeling District: Initiatives and Impact**" submitted to Sikkim University in partial fulfilment of the requirement for the degree of Doctor of Philosophy is my original work. This work has not been submitted by me for any other research degree of this university or any other university/Institute.

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Submitted by **Pramesh Chettri** under the supervision of **Professor S.S. Mahapatra** of the Department of Commerce, School of Professional Studies, Sikkim University, Gangtok 737102, India

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I recommend this thesis to be placed before the examiners for evaluation.

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## ACKNOWLEDGEMENT

This work of research is a result of enduring efforts, patience and enthralling zeal for the study of unstudied phenomena. Obviously, it was a complete painstaking period for me to accomplish the goals and objectives of the study. However, this work of research would have not been successful without the mentoring, inspiration, help and support from various corners. It would be unjustified on my part if I fail to acknowledge the motivation and cooperation from my teachers, friends, well-wishers and relatives on various capacities.

First and foremost, with my whole heart, I would like to express my heartfelt gratitude to my respected supervisor Professor S.S. Mahapatra for the continuous support rendered towards my work and giving me liberty, love and lessons to pursue this work. Thank you for your unconditional support and care. Secondly, I would like to thank Professor, Abhijit Dutta, Dean, School of Professional Studies, Department of Commerce, Sikkim University for helping me generously throughout the years of my research. His guidance helped me in all the time of research and writing of this thesis.

I am equally thankful to Mr. Bivek Tamang, Dr. Ravi Shekhar Vishal, Dr. A.N. Shankar, Dr. B Muthu Pandian and Mr. Rakesh Basnet, faculties of the Department of Commerce, Sikkim University for all the encouragement, support and care. I would also like to express my heartfelt gratitude to Mr. Anupam Lahiri (Director, NSSO) and Professor Stuart Locke (Waikato University, New Zealand) for the valuable comments put forward in the methodology adopted. My sincere thanks to Mr. Sopan Jena, Mr. Dinesh Gupta, Mr. Sonam Topgay Bhutia, Ms Ruchita Sharma, Mr. Roshan Gurung and

entire family of the Department of Commerce, Sikkim University for the motivation and cooperation extended towards me. I wish to extend my deep sense of thankfulness to Mr. Dorjee Tamang of M/s Gloria Galleria for the support received during the final printing and binding of research thesis.

I am also indebted to my School teacher Mr. Umesh Sharma for all the encouragement and blessings which motivated me to pursue higher studies. I am thankful to all the staff at the Tista-Indus Central Library of Sikkim University. I am thankful to all the municipality and block office staffs, bank managers, post office head clerks, LIC branch managers of Darjeeling district for giving me the valuable information which was utterly essential for the fulfilment of data in my research work. I am equally thankful to Shri Manabendra Misra, the then General Manager and officer-in-charge of Reserve Bank of India, Gangtok (2013-18) for giving me the valuable guidance on functioning various banks particularly in this region.

I am also grateful to all my respondents and hosts at Darjeeling and Siliguri. My sincere thanks go to my friends Mr. Pintu Prasad Jaiswal, Ms. Nisa Tamang, Mr. Prayash Gupta; my colleagues Mr. Uttam Kumar Upadhyaya and Mr. Madan Chettri from Sikkim Manipal University; and to all of my well-wishers for all the support and care bestowed upon me.

Last but not the least, I am utmost grateful from the core of my bosom to my dear family, Aama, Baba, my brothers and my sisters in law for making my academic ventures possible. My brother Pramit Chettri, you are the pillar of my strength; your blessings,

care, love etc. always enthuse me to aim at touching the stars in the sky. My elder brother Pranam Chettri, you always used to say, “Go ahead! your elder brother will take the responsibilities of family!” Thank you for your unconditional and endless support and wishes. I wish to express my sincere gratitude to my sister in law for her editorial support, which helped me shape my research thesis in the present form.

I shall remain indebted to you all my mentors for encouraging and supporting in the challenging task of conducting research work and meet the culmination.

Thank You All!

**- Pramesh Chettri**

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## LIST OF ABBREVIATIONS

AEPS	-	Aadhar Enable Payment System
ANOVA	-	Analysis of Variance
APY	-	Atal Pension Yojana
BC	-	Business Correspondents
BGY	-	Bima Gram Yojana
CCB	-	Central Cooperative Bank
CRA	-	Credit Rating Agency
CRISIL	-	Credit Rating Information Services of India Limited
CSI	-	Core System Integration
CSR	-	Corporate Social Responsibilities
DB	-	Define Benefit
DFLAP	-	Digital Financial Literacy Awareness Programmes
DFT	-	Direct Fund Transfer
ETF	-	Exchange Traded Funds
FACT	-	Financial Education and Consumer Training
FETP	-	Financial Education Training Programmes
FI	-	Financial Inclusion
FIF	-	Financial Inclusion Fund
FL	-	Financial Literacy
FLCC	-	Financial Literacy and Credit Counselling Centre
GDP	-	Gross Domestic Product
GST	-	Goods Services Tax
ICDS	-	Integrated Child Development Services

IFSC	-	Indian Financial System Code
INFE	-	International Network on Financial Education
INFE	-	International Network on Financial Education
IRDAI	-	Insurance Regulatory and Development Authority of India
JLG	-	Joint Liability Group
KVP	-	Kisan Vikas Patra
LPG	-	Liberalization, Privatization and Globalization
MFI	-	Micro Finance Institution
MSSP	-	Money Smart School Program
NABARD	-	National Bank for Agriculture and Rural Development
NISM	-	National Institute of Securities Markets
NPA	-	Non Performing Assets
NSC	-	National Saving Certificates
NSC	-	National Savings Certificate
OECD-	-	Organisation for Economic Development and Cooperation
PACS	-	Agricultural Credit Society
PFRD	-	Pension Fund Regulatory and Development Authority
PLI	-	Postal Life Insurance
PLI	-	Postal Life Insurance
PMBY	-	Pradhan Mantri Bima Yojana
PMFBY	-	Pradhan Mantri Fasal Bima Yojana
PMGAY	-	Pradhan Mantri Gramin Aawas Yojana
PMJDY	-	Pradhan Mantri Jan Dhan Yojana

PMJJBY	-	Pradhan Mantri Jeevan Jyoti Bima Yojana
PMKVY	-	Pradhan Mantri Kaushal Vikas Yojana
PMMVY	-	Pradhan Mantri Matritva Vandana Yojana
PMSBY	-	Pradhan Mantri Suraksha Bima Yojana
RBI	-	Reserve Bank of India
ROPLI	-	Rural Postal Life Insurance
ROPLI	-	Rural Postal Life Insurance
SEBI	-	Securities Exchange Board of India
SHG	-	Self Help Group
SIP	-	Systematic Investment Plans
UFA	-	Universal Financial Access
ULIP	-	Unit Linked Investment Plans
UNDP-	-	United Nation Development Programme
WBFN	-	World Bank Family Network

## Abstract

The concept of financial literacy has become a subject of considerable interest to researchers, policy formulators, academicians, international bodies, governments and their agencies and other stakeholders in the context of global financial crisis and financial inclusion. 'Financial Literacy' (FL) is the major challenge faced by majority of countries in the world. Financial Literacy is a function of one's Knowledge, Attitude, Behaviour, Skill and Awareness towards financial matters. Finance is the life-blood and nucleus of the nerve system of any nation and it is very essential for smooth running of the economy. According to CRISIL (Credit Rating Information Services of India Limited), the Inclusix Index Scores of Darjeeling district was 42.7% in 2011 measured in terms of basic banking service<sup>1</sup>. The present study focuses on examining the level of awareness and investment preferences in various existing financial products in Darjeeling district. The financial products are divided into five different groups, namely-banking financial products, Government sponsored financial products, social security's financial products, capital Market financial products and other financial products. The study is an attempt to fill a gap in the research of financial literacy by analysing the associations between financial literacy and financial experience across socio-economic/demographic spheres in the Darjeeling district. The hypotheses have been tested to find out the relationship between investment preference and social economic factors. The data for the study was collected via structured questionnaires distributed to 530 household's respondents of Darjeeling district. Kalimpong district was formed on **14 February**

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<sup>1</sup><https://www.crisil.com/content/dam/crisil/crisil-foundation/generic-pdf/CRISIL-Inclusix-Volume-III.pdf>

2017, after splitting from the Darjeeling district as the 21st district of West Bengal<sup>2</sup>. So, data pertaining to the then Kalimpong Sub-division under Darjeeling district has also been included in my research work. The factors affecting investment decisions have also been discussed. The study focuses on measuring financial literacy amongst the household of Darjeeling district and endeavours to examine their capability to make efficient and effective financial decisions. This study aims to develop the constructs in order to test the validity and reliability of financial literacy (FL) and its determinants such as Knowledge, Attitude, Behaviour, Skill and Awareness in the households of Darjeeling district. The comparative study of financial literacy amongst the households of hilly regions and plains of Darjeeling district has been analysed and discussed. The financial literacy initiatives undertaken by different stakeholders and agencies have also been looked into and discussed. This study enables future researchers to expand the knowledge in the area of FL by providing validated constructs to assess FL among households in Darjeeling district.

**Keywords:** Financial Literacy, Darjeeling district, CRISIL

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<sup>2</sup>[https://en.wikipedia.org/wiki/Kalimpong\\_district](https://en.wikipedia.org/wiki/Kalimpong_district)



# CHAPTER 1

## INTRODUCTION

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### 1.1 Theoretical Background

Financial Literacy is the major challenge faced by majority of countries in the world. The concept of financial literacy has become a subject of considerable interest to researchers, policy formulators, academicians, international bodies, governments and its agencies and other stakeholders in the context of global financial crisis and financial inclusion. The OECD defines financial literacy as –“A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing” (A & F, 2012)<sup>1</sup>. Financial literacy empowers the people to make changes for the betterment and improvement of their social, cultural, economic and environmental conditions. It has often led to decision making process pertaining to certain personal finance areas like Investing in products, household saving, budgeting, securities market, Housing loan, Real estate, insurance, credit card, tax planning, pension and retirement security etc. It plays a vital role for a developing country like India to engage the people in financial inclusion and to prevent them from financial malpractices and fraudulent activities. Financial literacy is the ability to know, monitor, and effectively use financial resources to enhance the well-being and economic security of oneself, one's family, and one's business (RBI, 2008)<sup>2</sup>.

Financial literacy becomes an essential part of life from the initial stage of one's career. It enables financial planning, inculcates saving habits and improves the understanding of financial products leading to effective use of financial services by the common people. The significance of financial literacy has become a key tool to

financial inclusion of vulnerable sections. After 72 years of independence in India, a larger part of the population remains excluded from the usage of financial services. In most of the cases, the rural and urban poor, deprived / underprivileged, illiterates, those with no/ low incomes, women, children, migrants and disabled are those that are being excluded from the usage of financial services. The biggest deprivation of financial inclusion is lack of knowledge of finance and in recent time, financial literacy has become publicized as an explicit goal of government as well as other major banks.

Financial literacy or financial education can broadly be defined as 'providing familiarity with and understanding of financial market products, especially rewards and risks, in order to make informed choices (Reddy, 2006)<sup>3</sup>. Financial literacy accomplishment goes beyond the provision of financial information and advice. It can make a difference not only in the quality of life that individuals can afford but also helps in the integrity and quality of financial markets. It is a vital precondition to engage the people in financial inclusion and to include them in the scheme of economic development. Financial inclusion and financial literacy are two pillars for an efficient economy. Financial literacy stimulates demand, making people aware of what they can demand and financial Inclusion acts on the supply side respectively providing the required financial market/services. Financial literacy and financial inclusion are integral to each other and are important for the growth of the nation. They are important simply because financial inclusion is a necessary condition for sustaining equitable growth (Subbarao, 2013)<sup>4</sup>. They are two elements of an integral strategy; while financial inclusion provides access, financial literacy provides awareness. Financial literacy can be achieved only through a process of financial education. Financial education is defined by OECD as a process by which financial

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consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being(Acharya & Parida, 2013)<sup>5</sup>.

Many research surveys reveal that the level of financial literacy of Indians is low. World Bank has also done a study on this subject of financial literacy for rural India and found that about 40 per cent of households have deposit accounts, 20 per cent have outstanding loans and only 15 per cent have any insurance (Chattopadhyaya, 2011)<sup>6</sup>. The Reserve Bank of India has introduced Financial Literacy and Counselling Centres (FLCC) to provide consumers with the tools to make better credit choices (Reserve Bank of India, 2008)<sup>7</sup>.They have also targeted school children to cultivate financial literacy at an early stage via interactive website (Reserve Bank Of India,2007)<sup>8</sup>.

In the present scenario of Indian policy situation, Financial Literacy and education is seen as a mechanism to raise demand for various quality banking services. In an era of globalization, financial knowledge has become not just a convenience but an essential tool for informed consumer choice. Finance plays an important role in the daily life of an individual. Financial literacy is a necessity for all in operating different activities So, we can say finance is just like blood for survival in changing business and economic environment. But without adequate financial literacy, finance has become more complicated and complex in the modern changing environment. The concept of financial literacy has become increasingly prominent in regards to processes and mechanisms used for financial reform and for operating different financial activities.

According to the former president of India, Shri Pranab Mukherjee, Financial Literacy, and Education, plays a crucial role in financial inclusion, inclusive growth and sustainable prosperity.” Financial literacy helps the people with the opportunity to become more entrepreneurial for themselves, their peers, their families and also contributes to the overall financial well-being of their communities.

Financial literacy is a basic knowledge that people need in order to survive in a modern society (Kim et al., 2001)<sup>9</sup>. In most countries the ongoing shift from their traditional Define Benefit (DB) pensions into individual account Define Contribution (DC) scheme has made it compulsory for individual workers to save, invest, and spend wisely over the lifecycle. The level of financial literacy tends to vary according to education level and income levels, but the evidence shows that highly educated consumers with high income level can be just as ignorant about financial issues as less educated, lower income consumers (OECD, 2006)<sup>10</sup>. So the need of financial literacy has become inevitable. Financial literacy refers to the set of knowledge, attitude, behavior, skill and awareness that allows an individual to make informed and effective decisions with all of their financial resources. Saving money, investing, budgeting, managing debt and retirement planning, are important practices when you are starting a financial plan. But without having a sound knowledge in the financial products or services, the above aforesaid practices become incomplete. Financial literacy enables the common people to understand the needs and benefits of the products and services offered by financial institutions. Financial literacy helps in the process of financial planning such as cash flow planning or money management, tax planning, investment planning, insurance planning, retirement planning and debt planning and management.

## **1.2 Need of Financial Literacy**

The need of financial literacy is felt due to the increasing number and complexity of financial products and services. The continuing shift in responsibility for providing social security schemes (like new pension schemes) from government to individuals and growing importance of individual retirement planning makes it essential that financial literacy be provided to all. The need for financial literacy mainly comes from two sources. Firstly from the deterioration of personal finances. Secondly it comes from the proliferation of new, and often complex financial products. In India, the need for financial literacy is getting greater because of low level of literacy and large section of population which remains out of the formal financial set up (Singh,2014)<sup>11</sup>. More than two billion people or 38 per cent of adults in the world do not use formal financial services<sup>12</sup>,and 73% poor people are unbanked because of costs, travel distances and the often-burdensome requirements involved in opening a financial account (World Bank, 2015)<sup>13</sup>. The concept of financial literacy is of immense interest to researchers, academicians and policy formulators in the context of economic crisis and financial inclusion. Financial literacy empowers the people to make changes for the betterment and improvement of their social, cultural, economic and environmental conditions. In recent time, financial literacy has become publicized as an explicit goal of government as well as other major financial institutions. In a diverse country like India, financial markets have become increasingly complex, as financial literacy has assumed greater importance in recent years. Financial literacy has become a major mechanism for consumers towards financial inclusion. Financial literacy aids in improving the quality of financial services and contributes towards the economic growth and development of a country.

There are a number of financial services benefit schemes provided by the Govt. of India but most people are deprived as they are unaware of these schemes. So financial literacy becomes unavoidable. Financial decision-making is an inherently difficult method, for an individual and with the advent of financial liberalization in most parts of the globe, the availability of various complex financial products has increased tremendously. This has led to a growing focus on the needs of financial literacy in the world. The policy makers have been focusing on financial literacy of Indian rural and semi-rural areas primarily for three reasons: creating a platform for inculcating the habit of saving money, providing formal credit avenues and plug gaps and leaks in public subsidies and welfare programmes. Financial literacy has major implications for the policy makers, Government investors, and bankers in identifying the growing need for financial awareness and helps in developing suitable financial literacy programs.

In the modern era as financial markets have become very complicated and as there is financial literacy information gap between markets and the common people, it has led to difficulties in making correct financial decisions. Financial literacy gives the necessary knowledge and skill to assess the suitability of various financial products and investments available in the financial market.

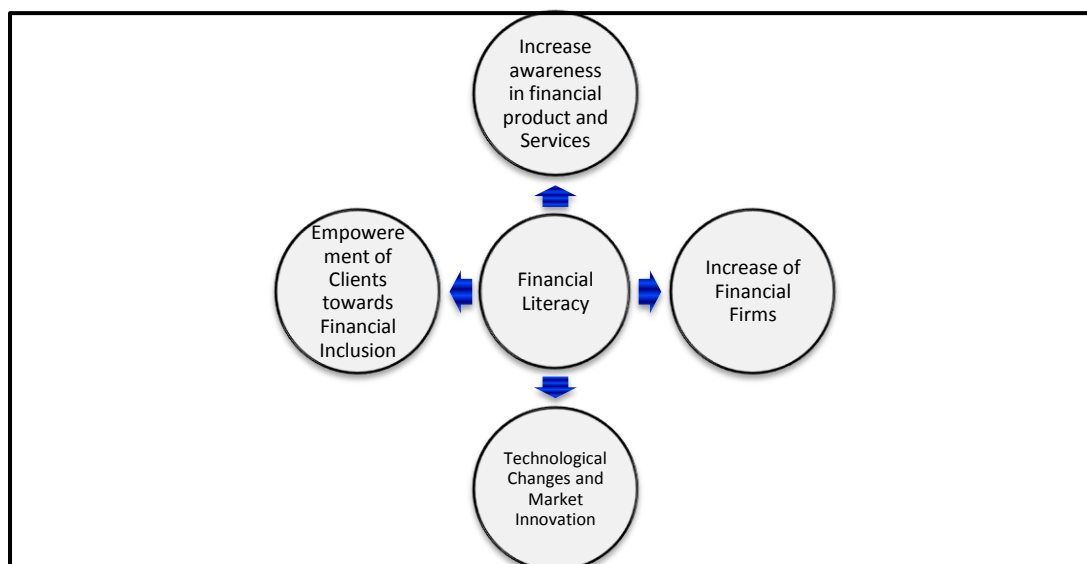
India is the second fastest growing economy in the world and the majority of population resides in rural areas. A large section of Indian rural population still remains unbanked and lack in access to even basic financial services like savings, credit and insurance facilities. Financial literacy plays an important role in the promotion of financial inclusion and maintaining the balance in financial stability of an economy. Financial literacy is a tool for financial inclusion.

There are many important initiatives taken by different financial and non financial institutions for financial inclusion but the majority of Indian population is still deprived of even the basic financial services. Banking or financial services in India has still not produced desired results in terms of the direction, quantum and quality. So the need of financial literacy is essential in India.

India is a country having saving habits among the people. Culture of saving in India is different from the culture of other developed or developing countries. But the saving habits like hoarding of dowry money and other forms of domestic savings (unaccounted money) have not contributed towards the financial well being of people. In order to be financially sound people must know well about investment, saving, borrowing, lending etc, so that they can make beneficial financial decisions. According to CRISIL, financial inclusion index of India shows that: 50.1per cent (2013), 53.2per cent (2014), 56.2per cent (2015) and have 58.0 per cent (2016) in financial inclusion<sup>14</sup>. Although figures make it clear that in India still 42 percent are out of banking inclusion in the year 2016. India has a good saving habit compared to other countries but about the principles of saving habits people are not much clear as to which savings would fetch them higher returns in the future. The reason behind it is that people in India are unaware of financial literacy.

### 1.2.1 The need to be financially literate is briefly enumerated below:

**Figure1.1 Necessity of Financial Literacy**



#### **(a) Increase awareness in financial product and Services**

In recent years with the advent of globalization and liberalization of financial services industry, wide range of diverse financial products have been introduced through participation of private and foreign entities in addition to the public sector enterprises. These include products such as debit and credit cards by banks, New Pension Plan Service, Kisan Vikas Patra, open-end and closed-end mutual fund schemes Exchange Traded Funds (ETFs), Systematic Investment Plans (SIP), life and non-life insurance schemes, Unit Linked Investment Plans (ULIPs), Loan Service against Share and securities, shares and debt securities offered by various entities, children's education plans, etc. This has led to rising competition among clients through introduction of innovative and attractive products. The introduction or innovation of varied products has increased the scope of financial literacy to a very large extent in the global world.



### **(b) Increase of Financial Firms**

The financial firms' services sector has been an important contributor to the country's Gross Domestic Product (GDP). The financial institutions are the heart of every well functioning market economy. Financial institutions provide services as intermediaries of financial markets. Financial literacy plays an important role in developing the domestic financial markets. Financial illiteracy is one of the major causes of weak consumer power. Financial literacy or education may enhance competition amongst the financial institutions. Healthy competitions in financial market enhance financial stability in the economy. Financial literacy boosts efficiency and transparency of retail financial markets.

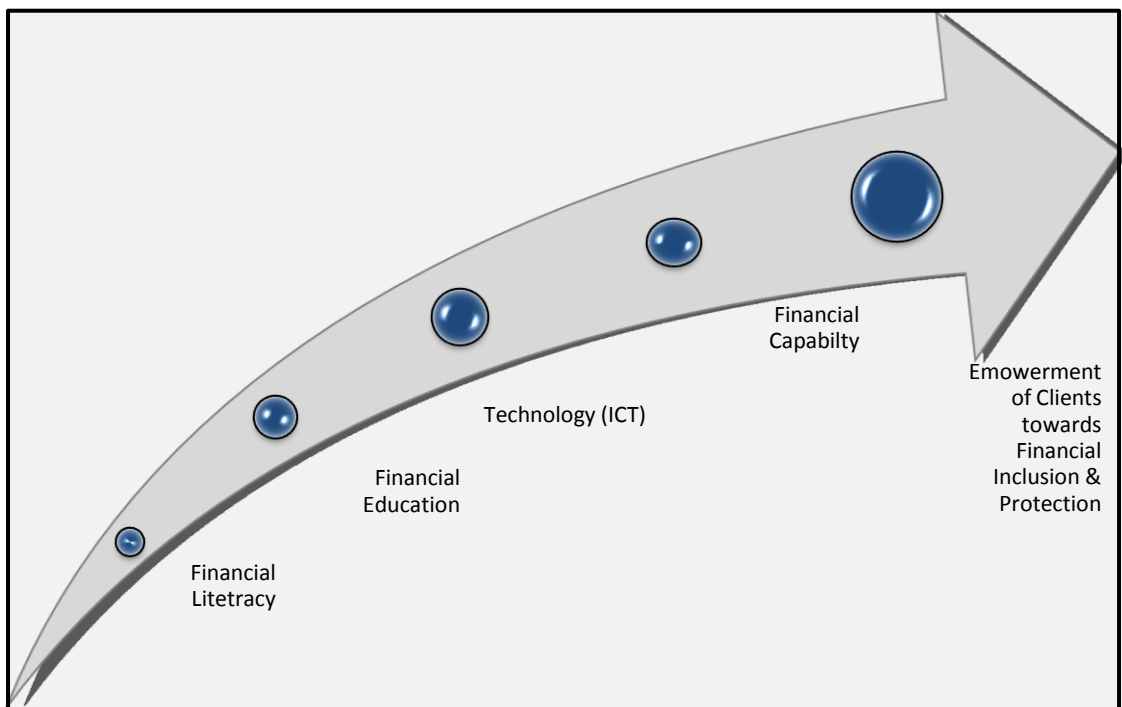
### **(c) Technological Changes and Market Innovation**

The financial services sector in India is experiencing an era of rapid innovation. These changes are more intensely influenced by the rapid improvements in the technologies. The rapid rate of technological change and high degree of innovation in the financial market makes people responsible towards financial literacy. The financial market has changed drastically over the past years, due to massive changes in telecommunications, information technology, and financial theory and practice. At present most of the banking works are done with the help of technology such as Electronic Funds Transfer Systems, E-Banking, E-Commerce, E-Money etc. The substantial change in terms of banking products, services and production technologies should lead to a further improvement of financial literacy in the customers.

#### (d) Empowerment of Clients towards Financial Inclusion

In the developing countries, people are excluded from formal financial services for many reasons. Finance is the lifeblood of all major economic activities. Even after 72 years of independence, a large section of Indian population still remains excluded from the usage of financial services. In recent time, financial literacy has become as an explicit goal of government as well as other major financial institutions. Financial literacy enables financial planning, inculcates saving habits and *improves* the understanding of financial products leading to effective use of financial services by the common people. Financial literacy and financial inclusion are correlated to each other. Financial Inclusion provides access to financial services. Financial literacy creates awareness and provides impetus to financial inclusion initiative. Financial literacy is a major mechanism for consumers towards financial inclusion.

**Figure 1.2 Journey from Financial Literacy to Empowerment & Protection**



### **1.3 Components of Financial Education**

The key components of financial education is divided into four segments viz. understanding the key financial products, understanding the basic financial concepts, developing financial skills and confidence and making good choices .

**1.3.1 Understanding the key financial products:** A person with sound financial literate must be proficient in the core understanding of the existing financial products one may need throughout one's life. Which includes bank accounts, insurance, retirement saving plans, National Savings Certificate (NSC), how to balance its budget, micro-finance and securities, market investments like stocks, bonds and mutual funds. Bank related financial education consists of details such as customers requirement responsibilities under Negotiable instruments Act, precautions while dealing with ATMs and net banking, fundamentals of payment system, lockers and safe custody, loans and guarantees, fixed versus floating rates of loans etc.(RBI, 2012). Likewise, the financial education helps securities market investors to understand the basics of stock market mechanism, settlement and clearing process in stock markets, role of various financial market intermediaries such as stock brokers or consultant, sub brokers, financiers, merchant bankers, underwriters, registrars, transfer agents, depository participant, credit research agencies and portfolio managers etc. It also helps in thoughtful selection of investments that meets investor's goals and risk profile to keep individual stock and bond risks at an acceptable level. Raising awareness and educating individuals on life insurance, general insurance, National Saving Certificate (NSC), basic concept of taxes and retirement savings plans are both critical and challenging priorities for developing countries like India. Financial education tends to increase responsibility of individuals for the management of insurance and retirement risks and their coverage, as well as the consequences of

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wrong or inappropriate financial decisions. It also helps to understand the complexity and sophistication of various existing financial products in the given market.

**1.3.2 Understanding basic financial concepts like compound interest, present and future value of money, annuity, investment return, risk, protection and diversification etc.:** Financial education helps to create awareness about various existing financial products and services, good financial practices, going digital and consumer protection. Calculation of Numerical ability of finance is one of the most essential day to day activities. Basic financial numerical ability consists of fundamental arithmetic like addition, subtraction, multiplication, division and compound interest. Rapidly growing technological advances around the world are recognized as an essential basic financial employability skill. The lack of numeracy skills prevents consumers from engaging in sound, persuasive and welfare-enhancing analysis of financial information. Those having poor numeracy skills ability are less likely to be able to save, invest money on day-to-day affairs and less likely to be able to find or negotiate the best deals on various financial products available in the global market. At the same time they are more likely to pay higher levels of interest on higher levels of debt and other financial products.

**1.3.3 Developing skills and confidence:** All the above core competencies described above are essential for financial literacy, but these competencies also require a degree of financial skills and confidence to be aware of financial risk and opportunities and to benefit from them. Financial skill and confidence is a critical component in leading a successful and stable life for an individual. Financial skill allows the understanding of financial implications of the decisions. Financial skills are an integral part of financial literacy. A financially capable person possesses all the skills necessary to

effectively manage finances to achieve financial well being, this includes budgeting skill, saving skill, spending skill, debt management skill, financial negotiation skill etc.

**1.3.4 Making good financial choices:** Finally an important component of financial education is making good financial choices about saving, spending, insurance, investing and managing debt throughout one's life: for example, when getting an education, beginning a new job, buying a house, starting a family, spending a healthy life, getting ready to retire and living out the senior years in future. As human beings what matters to us is our emotion and not numbers. We may not understand returns and we may not understand numbers. What we really understand are the goals attached to it. For example, if you are saving/investing for your child's education, what matters to you is whether the funds will be available at the time required and whether it will be sufficient. Thus visualizing your good financial choices first and then making investment decisions will help to achieve those goals.

## **1.4 Financial Literacy Challenges in India**

In developing countries like India, Financial Literacy is a growing challenge with the advent of different financial products in the global market. Financial literacy is defined as the ability to understand and ensure matters concerning to personal finance, including savings, investing, budgeting, basic numeracy, inflation, diversification of portfolio etc. Those who are not financially literate are unable to make better choices concerning personal finance. India's financial crisis in 1991 and the financial crisis in the world 2009 brought the immense increased of financial literacy to the nation attention. The RBI launched a Financial Literacy Counseling Centre considering the financial literacy challenges (demand side) and financial inclusion challenges (supply side). In the digital era, it is a big challenge for India to connect poor people to

services such as savings, loans, investments, insurance and payments etc. Around 48% of the country's bank accounts have seen no transactions in the last one year, the World Bank says in its Global index database report (Anand, 2017)<sup>15</sup>. In the world, India remains among the cash-intensive economies. In India the Youth Population is high. According to 'World Population Prospects: The 2015 revision' Population Database of United Nations Population Division, India has the world's highest number of 10 to 24-year-olds, with 242 million—despite having a smaller population than China, which has 185 million young people. As per India's Census 2011, Youth (15-24 years) in India constitutes one-fifth (19.1%) of India's total population and India is expected to have 34.33% share of youth in total population by 2020 (Ministry of Statistics and Programme Implementation Government of India, 2017)<sup>16</sup>. So concerning Indian context, it is necessary to create awareness of financial literacy among the youth to Make Number of Financial Decisions Related to Spending, Saving, Investments, Credit etc.

#### **1.4.1 Challenges Faced by different financial institutions**

Indian society is not well developed as compared to other nations and general literacy level is very low. India has a low banking penetration and the proximity of the banks might be one of the reasons behind financial exclusion of the people. India's Per capita income is low and maximum population resides in rural families that come under the category of Below Poverty line (BPL). With such low per capita income, people hesitate to participate in the financial literacy programmes initiated by different institutions because of lack of desire and enthusiasm to know the features of the products. In India the infrastructures are not much developed as expected, people in the rural areas having less income have to move to the cities for getting the ATM to

withdraw the money and this might be the reason of financially excluded group in the country. One of the major issues in Business Correspondents (BC's) is lack of professionalism, this might lead to a confusion in the customers to choose and to understand the existing financial products. In India one of the major problems is network issues and digitization will not work if proper facilities are not provided.

#### **1.4.2 Challenges faced in Financial Literacy Programmes Initiatives**

Over the past decades, India has taken the initiative and implemented wide range of reforms for the financially excluded populations. Better initiatives in financial literacy enhances financial inclusion. In India, large number of stakeholders such as regulatory agencies, financial and non-financial institutions, Govt. agencies, stock exchange authorities, NGO's and other agencies are involved in creating awareness about various financial products and services, good financial practices, going digital and consumer protection among the people. Different banks have taken the initiative on behalf of the Govt. in promoting various financial schemes such as Pradhan Mantri Jan Dhan Yojana (PMJDY), Atal Pension Yojana (APY) etc. As per the RBI report on trends and progress in Banking for 2015-2016, the basic savings deposit accounts have risen from 73.5 million in March 2010 to 495.2 million in September 2016. Much is this is attributed to the push given by the PMJDY scheme. A World Bank report says almost half of India's bank users have an account that has remained inactive in the past year 2017<sup>17</sup>. The Indian government has taken initiatives in promoting digital financial literacy campaign; perhaps the country is yet to be digitally empowered in the field of digital technology. There are a number of products in insurance and the Government has taken insurance literacy initiatives such as National Health Protection Scheme ,Pradhan Mantri Fasal BimaYojana (PMFBY) , Pradhan Mantri

Bima Yojana (PMBY) etc. There are a lot of financial product schemes facilities provided by the Govt. of India but the people are unaware of such facilities. According to the staff of Darjeeling HDFC bank (Branch Code: 000454) said that the gorkhaland agitation (between May to September, 2018) of 104 days resulted in 70 to 72% of Non Performing Assets (NPAs) in SHG and presently it is not willing to resume. Darjeeling Head post office has also taken up financial literacy initiatives for Postal Life Insurance (PLI), Rural Postal Life Insurance (ROPLI) in various places of Darjeeling district. Head Clerk of this Post Office has also opined that, post office has been making transactions from Kanyakumari to Srinagar and he rightly said that, if IFSC code is permitted to post offices around India, then post office can perform tasks better like others banks. The nationwide network of post office is much greater than that of various existing banks.

Finally, it can be concluded that the major problems of different financial institution for the financial inclusion is the maximal documentation and proximity of the banks. Local financial institutions, with local control and staffed by knowledgeable local people, could be more effective at providing financial services to the excluded (Rajan, 2017)<sup>18</sup>. HDFC Bank, for example, has been very successful growing its loan portfolio in Kashmir by recruiting local youth as loan officers (Rajan, 2017)<sup>19</sup>.

## **1.5 Consequences of Financial Illiteracy**

Financial Illiteracy is a topic which is much discussed at various international economic forums such as the G-20 summit, IMF and World Bank conferences. It has also been a major point of contention in the recent OECD meets (Rawat & Gambhir, 2017)<sup>20</sup>. Financial illiteracy affects individuals and socioeconomic levels. Ineffective



money management may result in making consumers vulnerable to severe financial crisis. Financial illiteracy may lead to poor financial choices in the existing financial services that may bring stagnancy in growth of a nation. The consequences of financial illiteracy are briefly enumerated below:

**1.5.1 Panic in case of financial emergencies:** Financial emergencies knock the door with no prior information, for example a sudden job loss, medical expenses, emergency home repairs, impending or unpaid bills etc. Such financial emergencies bring upheaval and chaos in an individual's life .People with sound knowledge in finance can easily cope with the financial crisis by giving priority to savings and investments, negotiating with lenders, having extra monetary backup, and taking advantage of available financial assistance etc.

**1.5.2 Unorganized savings or investments:** Individuals well versed in finance, with minimum effort can easily start organising the finance, set financial goals, track spending, create a budget and determine the net worth . Financially illiterate individuals lack all of these qualities and they become easy victims to fraudulent activities.

**1.5.3 Wrong individuals will take financial credit instead of entitled candidates:** The Government of India has taken a number of financial initiatives for the benefit of marginalised people. The initiatives taken are Pradhan Mantri Gramin Aawas Yojana (PMGAY) especially made for constructing houses in rural areas, Pradhan Mantri Matritva Vandana Yojana (PMMVY) for financial support to female, Integrated Child Development Services (ICDS) specially made for financial support for child development, Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

to encourage skill development, stand-up India for loan support to SC/ST/Women entrepreneurs for green field enterprises etc. Perhaps the marginalised people who are financially illiterate fail to take credit and wrong, undeserving individuals take advantage of the ignorant entitled candidates.

**1.5.4 Slower growth of financial markets:** Smoothly operating financial markets play a significant role in improving the efficiency and effectiveness of an economy. The great challenge of Globalisation of Indian markets, have proliferated Indian financial instruments and services in global markets. People with inadequate financial literacy fail to select the best products available in the markets, which hampers the growth of financial markets. Financial literacy can uplift the growth of financial markets.

## **1.6 Financial Literacy and Financial Inclusion**

Financial Inclusion is about (a) the broadening of financial services to those people who do not have access to financial service sector; (b) the depending of financial services for people who have minimal financial services; (c) greater financial literacy and consumer protection so that those who are offered the products can be appropriate choices<sup>21</sup>. Though India being the second fastest growing economy in the world, a large section of Indian rural population still remains unbanked and lacks in access to even basic financial services like savings, credit and insurance facilities.

Roughly 16 out of 100 people in India don't save at all. Most of these people are either students or are in the unorganised sector such as rickshaw pullers, street vendors, etc. who earn a meagre sum of money on a daily wage basis which is not even sufficient to sustain their basic nutritional requirements (Rawat & Gambhir, 2017)<sup>22</sup>.

According to K.C. Chakraborty, Deputy Governor, Reserve Bank of India, and Vice-Chair of the OECD International Network on Financial Education, defined "Financial literacy has significant relevance for financial inclusion and consumer protection. The report also highlighted without financial literacy, we cannot expect to make major headway in either financial inclusion or consumer protection"(RBI,2013)<sup>23</sup>. Financial literacy plays an important role for the promotion of financial inclusion and maintaining the balance of financial stability in the economy. Financial literacy is an essential tool for the growth of financial inclusion. Most people fail to realize that in life, it's not how much money you make, It's how much money you keep (Liyosaki, 2012)<sup>24</sup>. We have all heard stories of lottery winners who are poor, then suddenly rich, and then poor again (Liyosaki, 2012)<sup>25</sup>. There are many beneficial financial schemes offered by different financial and non-financial institutions for financial inclusion, unfortunately majority of Indian population are still deprived of having even basic financial services. The banking or financial services in developing country like India has still not produced desired results in terms of the direction, quantum and quality. So the need of financial literacy in a developing country like India is inconceivable. Robert Kiyosaki<sup>1</sup> rightly said:

“People with low financial literacy standards are often unable to take their ideas and create assets out of them”

## **1.7 Financial Literacy and its Linkage to Economic Growth**

Finance is the life line of every nation and it is very essential for smooth functioning of an economy. Finance is the heart of all dimensions of trade, industry and

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<sup>1</sup>Robert Kiyosaki, Web site: <https://www.azquotes.com/quote/1028628>  
Retrieved February 05, 2019

commerce. With the changing structure of an economy, financial literacy has become an essential survival tool for the individuals. Financial literacy helps people become more cautious towards frauds and fraudulent services and also enables individuals to effectively use financial products and services. Financially literate consumers help to reinforce competitive pressures on financial institutions to offer more appropriately priced and transparent services, by comparing options, asking the right questions and negotiate more effectively (Kafela, 2010)<sup>26</sup>. Development countries like India still have dominance of agriculture in their economy in terms of revenue generation as well as manpower employment. India is a labour surplus economy and it is more dominated by the large labour force. According to CIA World Fact book report, slightly less than half of the work force is in agriculture, but, services are the major source of economic growth, accounting for nearly two-thirds of India's output with less than one-third of its labour force (CIA World Factbook, 2018)<sup>27</sup>. Today most of the agricultural workers are deprived of personal finance management. The need of financial literacy in labours is more prominent. The development of any economic activity of a nation largely depends upon the financial literacy (Knowledge, Attitude, Behaviour) of individuals towards financial matters. Financial literacy provides people with the opportunity to become more entrepreneurial, to create economic opportunities for themselves, their families and their communities (Kafela, 2010).

In a globalized market, financial inclusion is emerging as a new paradigm of economic growth. In the Indian context, the term 'financial inclusion' was used for the first time in April 2005 in the Annual Policy Statement presented by Y. Venugopal Reddy, the then Governor, Reserve Bank of India<sup>28</sup>. According to CRISIL Incusix score 40.1% of Indian people, lack access to even basic financial services<sup>29</sup>. The main reason behind it is the lack of financial literacy amongst the

people. Financial literacy is interlinked with financial inclusion. Financial literacy can help those financially excluded groups such as marginal farmers, landless labour, ethnic minorities, migrants, workers in unorganized sector and other socially excluded groups to understand their financial options, financial opportunities and financial obligations. In the era of Liberalization, Privatization and Globalization (LPG), financial literacy has become an essential means of survival for the consumers. The prime objective of Indian Planning Commission is inclusive growth of the nation and it can be achieved only when financially and socially excluded groups are brought under the umbrella of financial inclusion.

## **1.8 Research Methodology**

The present study is diagnostic *cum* analytical in approach. It covers in detail the nature of the study, sources of data, sampling design, questionnaire design, method of data collection and statistical tools used for analysis in the study.

### **1.8.1 Statement of the Research Problem**

Rapid economic growth in India in recent years has brought a number of concerns which relate to expansion of growth across regions, sectors and people. The major objectives of economic policies are ensuring economic growth, improving economic efficiency and spreading the benefit of growth to all sections of the society. Though financial sector in the country has experienced revolutionary changes, it has still failed to take a large number of people, especially marginalized people under its wings. According to census 2011, it has been estimated that out of 3.91 lakhs households in the Darjeeling district, only 2.10 lakhs households have access to banking services<sup>30</sup>. So far, no in-depth research has been conducted in Darjeeling

district to find answers to certain questions like whether the poor save? If they do, where and for what purpose do they save? How they spend and borrow and what constraints they face in dealing with formal financial services remain unquestioned. Therefore, this thesis proposes to make an in-depth study of financial behaviour of the people in Darjeeling district.

### **1.8.2 Objectives of the Study**

1. To examine the level of awareness about the various existing financial products.
2. To measure the level of financial literacy in Darjeeling district.
3. To compare the level of financial literacy in the hill and plain regions of Darjeeling district.
4. To identify the association between financial literacy and socio-economic factors.
5. To investigate financial literacy initiatives and suggest future directions.

### **1.8.3 Key Concepts for measuring Financial Literacy**

In order to measure the level of Financial Literacy of Darjeeling district, the construct has been clearly projected by the researcher as a unidimensional variable. The level of financial literacy of the respondents is measured by conceptualizing the basic parameters highlighted by OECD approach. The OECD approach is more comprehensive as it attempts to measure the level of financial literacy by using the most probable dimensions of financial literacy i.e. financial knowledge, financial attitude, financial behavior, financial skill and financial awareness.

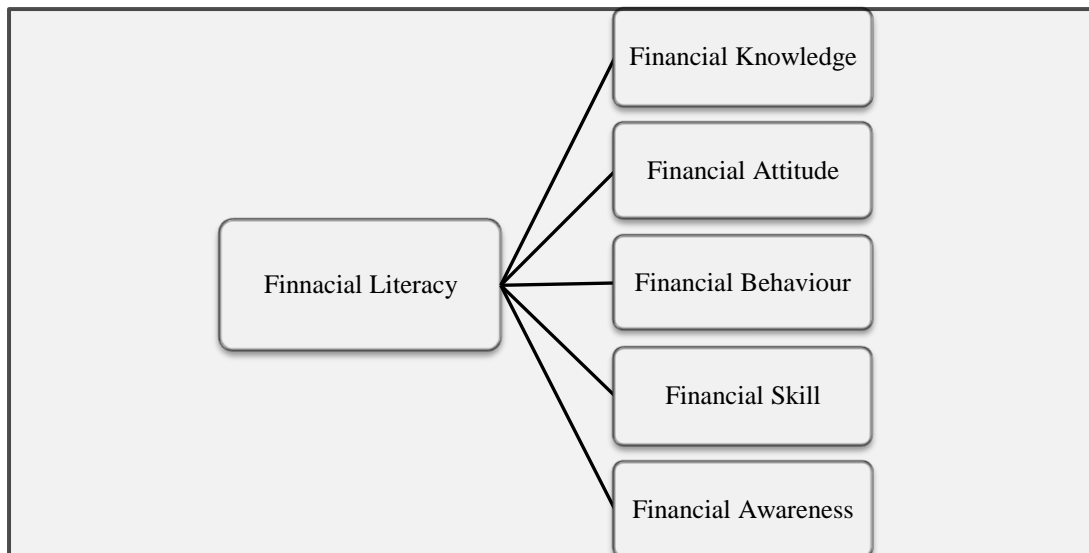
The OECD INFE (International Network on Financial Education) has defined financial literacy as follows: ‘A combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing’ OECD, (2011)<sup>31</sup>. The following dimensions of financial literacy are briefly highlighted below:

**Table 1.1 Conceptual Model for Measuring Financial Literacy**

<b>Financial Literacy</b>	<b>Financial Knowledge</b>	Whether the households have knowledge concerning the “risk and time value of money”
		Whether the households have required knowledge about “Financial risk and returns”
		Whether the households have basic knowledge about “inflation”.
		Whether the households have knowledge regarding “diversification of portfolio”.
		Whether the households have basic knowledge of “financial numeracy”
	<b>Financial Attitude</b>	Whether the households possess good attitude towards financial planning.
		Whether the households possess appropriate attitude towards spending money.
		Whether the households possess positive attitude towards savings.
		Whether the households possess correct attitude towards financial risks.
		Whether the households possess good attitude about financial situations.
	<b>Financial Behaviour</b>	Whether the households possess feasible financial behaviour towards financial planning.
		Whether the households possess amiable financial behaviour towards savings.
		Whether the households possess justified financial behaviour towards borrowing .
		Whether the households possess sensible financial behaviour towards investment .
		Whether the households possesses good financial behaviour towards sources of information before making investment.

<b>Financial Skill</b>	Whether the households possess financial skill in debit and credit cards.
	Whether the households possess good financial skill in insurance.
	Whether the households possess sound financial skill in savings .
	Whether the households possess efficient financial skill in budgeting.
	Whether the households possess good financial skill in spending.
<b>Financial Awareness</b>	Whether the households are digitally aware of financial literacy.
	Whether the households are updated with financial news.
	Whether the households are aware of radio and television programmes about financial literacy.
	Whether the households are sensitized by their literate friends about financial literacy.
	Whether the households are aware of Govt. sponsored programmes of financial literacy.

**Figure 1.3 Conceptual Model for Measuring Financial Literacy**





### 1.8.4 Research Hypotheses

In order to know the relationship between investment preferences of an individual, based on socio-economic factors, cross tabulation of investment preferences have been carried out and results have been analyzed. For this purpose, the following null ( $H_0$ ) and alternative ( $H_a$ ) hypotheses have been proposed. The hypotheses has been tested with the Pearson's Chi-square ( $\chi^2$ ) test at 5 % significance level.

$H_{01}$ : Investment preference for various financial Products is independent of gender.

$H_{a1}$ : Investment preference for various financial products is *not* independent of gender.

$H_{02}$ : Investment Preference of various financial Products is independent of family status.

$H_{03}$ : Investment preference for various financial Products is independent of age.

$H_{04}$ : Investment Preference of various financial Products is independent of marital status.

$H_{05}$ : Investment Preference of various financial Products is independent of education.

$H_{06}$ : Investment Preference of various financial Products is independent of nature of employment.

$H_{07}$ : Investment Preference of various financial Products is independent of caste.

$H_{08}$ : Investment Preference of various financial Products is independent of language.

$H_{09}$ : Investment Preference of various financial Products is independent of geographic region (rural and urban).

$H_{010}$ : Investment Preference of various financial Products is independent of income.

Similarly, In order to know the association between various socio-economic factors and level of financial literacy, following null ( $H_0$ ) and alternative ( $H_a$ ) hypotheses

have been proposed. The hypotheses have been tested with the help of ANOVA at 5% significance level.

H<sub>01</sub>: There is no association between gender and financial literacy.

H<sub>a1</sub>: There is association between gender and financial literacy.

H<sub>02</sub>: There is no association between family status and financial literacy.

H<sub>03</sub>: There is no association between ages and financial literacy.

H<sub>04</sub>: There is no association between marital status and financial literacy.

H<sub>05</sub>: There is no association between education level and financial literacy.

H<sub>06</sub>: There is no association between nature of employment and financial literacy.

H<sub>07</sub>: There is no association between Caste and financial literacy.

H<sub>08</sub>: There is no association between Language and financial literacy.

H<sub>09</sub>: There is no association between Region and financial literacy.

H<sub>010</sub>: There is no association between Income and financial literacy.

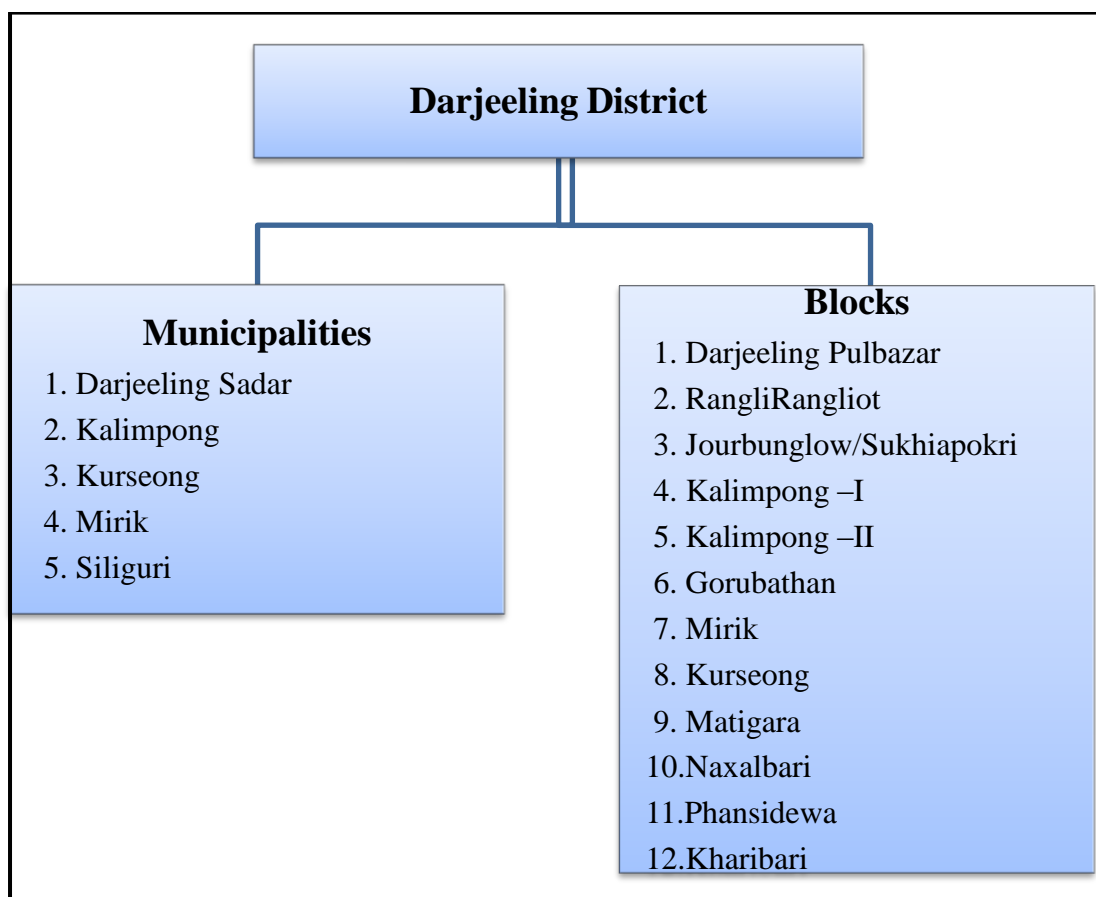
### **1.8.5 Sampling Technique**

For the purpose of the research, Darjeeling district is taken as an area of study. All five municipalities and twelve blocks in Darjeeling district have been considered for the study<sup>2</sup>. The respondents in the sample are from each municipality and block, based on a proportion to their respective households. A stratified random sampling method has been used for selecting the respondents for the purpose of the study. The selected sample size and the number of respondents across the districts are given in Table 1.2.

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<sup>2</sup>Kalimpong district was formed on *14 February 2017*, after splitting from the Darjeeling district as the 21st district of West Bengal. So, data pertaining to the then Kalimpong Sub-division under Darjeeling district has also been included in my research work.

**Figure1.4 Selection process of samples for the study**



*Source: Census of India, 2011*

**Table 1.2 Sample Distributions across the Districts of Darjeeling Region**

Sample Distribution across the Municipalities and Blocks of Darjeeling District							
Sl. No.	Name of Municipalities	Rural Households	Urban Households	Total no. of Households (2011)	Sample HHs in Rural	Sampe HHs in Urban	Sample Size
1.	Darjeeling Sadar	–	21,782	21,782	–	30	30
2.	Kalimpong	–	10,113	10,113	–	14	14
3.	Kurseong	–	6,616	6,616	–	9	9
4.	Mirik	–	2,465	2,465	–	4	4
5.	Siliguri	–	66,062	66,062	–	89	89
Name of Blocks		Rural Households	Urban Households	Total no. of Households (2011)	Sample HHs in Rural	Sampe HHs in Urban	Sample Size
1.	Darjeeling	22,683	4,787	27,470	31	6	37

	Pulbazar						
2.	RangliRangliot	15,304	-	15,304	21	-	21
3.	Jourbunglow/S ukhiapokri	19,489	5,979	25,468	26	8	34
4.	Kalimpong –I	13,854	1,504	15,358	19	2	21
5.	Kalimpong–II	13,172	-	13,172	18	-	18
6.	Gorubathan	12,662	-	12,662	17	-	17
7.	Mirik	9,962	-	9,962	13	-	13
8.	Kurseong	17,661	3,231	20,892	23	5	28
9.	Matigara	28,571	14,095	42,666	39	19	58
10.	Naxalbari	20,461	15,291	35,752	28	20	48
11.	Phansidewa	42,138	-	42,138	57	-	57
12.	Kharibari	20,737	2,615	23,352	28	4	32
<b>Total</b>		<b>2,36,694</b>	<b>1,54,540</b>	<b>3,91,234</b>	<b>320</b>	<b>210</b>	<b>530</b>

*Source: Census of India, 2011*

*(Rural PCA-C.D. blocks wise Village Primary Census Abstract and Urban PCA-Town wise Primary Census Abstract)*

The data for the study was collected via structured questionnaires distributed to 530 household's respondents of Darjeeling District. Kalimpong district was formed on **14 February 2017**, after splitting from the Darjeeling district as the 21st district of West Bengal<sup>3</sup>. So, data pertaining to the then Kalimpong Sub-division under Darjeeling district has also been included in my research work. From each municipality and block two wards/gram panchayat have been selected purposively on the basis of some perceptible characters, having highest share of BPL House Holds (HHs) and APL House Holds (HHs) (Information collected from the Municipality and Block offices of Darjeeling District). For selecting the sample respondents from each ward and gram panchayat, the Below Poverty Line (BPL) and Above Poverty Line (APL) list available with the municipality and block offices in the respective area formed the base. Table 1.3 and 1.4 shows the details of wards/GP selected for the study.

<sup>3</sup>[https://en.wikipedia.org/wiki/Kalimpong\\_district](https://en.wikipedia.org/wiki/Kalimpong_district)

**Table 1.3 Sample Wards Selected for the study**

District	Nature of Geographical Area	Municipalities	Total Wards	Selected Ward/Villages	Number of Respondents
Darjeeling	Urban	Darjeeling Sadar	32	8 and 15	30
	Urban	Kalimpong	23	10 and 16	14
	Urban	Kurseong	20	7 and 15	9
	Urban	Mirik	9	6 and 5	4
	Urban	Siliguri	47	1 and 12	89

*Source: Compiled from municipality and block offices, Darjeeling District, 2016-17.*

**Table 1.4 Sample Gram Panchayat Unit Selected for the study**

District	Nature of Geographical Area	Blocks	Total No. of GP	Selected G.P/Villages	No. of Respondents
Darjeeling	Rural	Darjeeling Pulbazar	23	(i) Goke-II (BPL) (ii) Lebong Valley-I (APL)	37
	Rural	RangliRangliot	11	(i) Labdah (BPL) (ii) Pubang- Rampuria (APL)	21
	Rural	Jourbunglow/Su khiapokri	16	(i) Plungdung (BPL) (ii) Pokhriabong- III (APL)	34
	Rural	Kalimpong –I	18	(i) Neembong (BPL) (ii) Kalimpong (APL)	21
	Rural	Kalimpong–II	13	(i) Lingseykha (BPL) (ii) Shantuk (APL)	18
	Rural	Gorubathan	11	(i) Pokhreybong (BPL) (ii) Patengodak (APL)	17
	Rural	Mirik	6	(i) Soureni (BPL) (ii) Paheligaon School dara- I (APL)	13
	Rural	Kurseong	14	(i) Seetong-I (BPL) (ii) Gayabari–III (APL)	28
	Rural	Matigara	5	(i) Patharghata (BPL) (ii) Matigara-I (APL)	58
	Rural	Naxalbari	6	(i) Maniram (BPL) (ii) Upper Bagdogra (APL)	48
	Rural	Phansidewa	7	(i) Chathat Bansgaon Kismat (BPL) (ii) Bidhan Nagar II (APL)	57
	Rural	Kharibari	4	(i) Buraganj (BPL) (ii) Kharibari-Panishali (APL)	32

*Source: Compiled from the Rural Household Survey 2005, Department of Panchayats & Rural Development, Govt. of West Bengal<sup>4</sup>.*

All the households in a particular ward/village/GP are listed with some basic features like education, income, occupation and family status of the head of the household. On

<sup>4</sup> <http://220.225.90.38/guidelines.htm>

the basis of such features, the strata were formed and sample size was allocated. The samples are drawn in random numbers to cooperate with the study, so as to get the representative's sample of the population. A primary survey was conducted by providing a structured questionnaire to 530 households in Darjeeling District. A simple random sampling method was used as it was not economically feasible to survey all the enterprises of the defined population. The sample is representative of the target population. While conducting field survey, basic information on households, employment status, income, education and family status etc. have been collected. The questionnaires are prepared both in English and in local language. The detailed questionnaire is attached in the appendix 1.

Table 1.5 and 1.6 below is presented with basic characteristics of the sample household:

**Table 1.5 Municipality-wise Basic Characteristics of the Sample Households**

DARJEELING MUNICIPALITIES							
Basic Information	Darjeeling Sadar	Kalimpomg	Kurseong	Mirik	Siliguri	Sample HH in Municipalities	Total Households in Municipalities
<b>No. of Households</b>	<b>30</b>	<b>14</b>	<b>9</b>	<b>4</b>	<b>89</b>	<b>146</b>	<b>1,07038</b>
No. of Male	22	10	7	3	64	106	
No. of Female	8	4	3	1	24	40	
Joint Family	11	5	4	1	33	54	
Nuclear family	19	9	6	3	55	92	
No. of HH between the age of 18 to 34 years	9	4	3	1	27	44	
No. of HH between the age of 35 to 59 years	18	8	6	2	53	87	
No. of HH between the age of 60 and above years	3	1	1	0	8	13	
No. of Married HH	23	11	8	3	69	114	
No. of unmarried HH	7	3	2	1	19	32	
No. of HH having degree of $\leq$ Matriculation	13	6	4	2	37	62	
Number of HH having degree of 10+2 (H.S)	6	3	2	1	19	31	
Number of HH having degree of Graduation	8	4	3	1	22	38	
Number of HH having degree of P.G. and above	4	2	1	0	10	17	
Number of Govt. HH employees	6	3	2	1	17	29	
Number of Pvt. HHs employees	24	11	8	3	71	117	
Avg. Income up to Rs.10,000	12	6	4	2	36	60	
Avg. Income between Rs.10 K $\leq$ Rs.30 K	12	6	4	2	36	60	
Avg. Income above and between Rs. 30 K $\leq$ Rs.40 K	3	1	1	0	8	13	
Avg. Income of HH $\leq$ 40K	3	1	1	0	8	13	

**Table 1.6 Block - wise Basic Characteristics of the Sample Households**

DARJEELING BLOCKS														
Basic Information	Darjeeling Pulbazar	Rangli Ranglot	Jorebunglow, Sukhiapokhr	Kalimpong I	Kalimpong II	Gorubathan	Mirik	Kurseong	Matigara	Naxalbari	Phansidewa	Kharibari	Block HH in District	Blocks Total Households
<b>No. of Households</b>	<b>37</b>	<b>21</b>	<b>34</b>	<b>21</b>	<b>18</b>	<b>17</b>	<b>13</b>	<b>28</b>	<b>58</b>	<b>48</b>	<b>57</b>	<b>32</b>	<b>384</b>	<b>2,84,190</b>
No. of Male	28	17	25	16	14	15	9	20	41	37	42	25	289	
No. of Female	9	5	9	5	4	2	3	8	16	11	15	8	95	
Joint Family	14	8	13	8	7	6	4	10	22	17	21	11	141	
Nuclear family	23	13	21	13	11	11	9	18	36	31	36	21	243	
No. of HH between the age of 18 to 34 years	11	6	10	6	6	5	4	9	18	15	18	10	118	
No. of HH between the age of 35 to 59 years	22	13	20	13	11	10	8	17	35	29	34	19	231	
No. of HH between the age of 60 and above years	3	2	3	2	2	2	1	3	5	4	5	3	35	
No. of Married HH	29	16	27	16	14	13	10	22	45	38	45	25	300	
No. of unmarried HH	8	5	7	5	4	4	3	6	13	10	12	7	84	
No. of HH having degree of $\leq$ Matriculation	15	9	14	9	8	7	5	12	24	20	24	13	160	
Number of HH having degree of 10+2 (H.S)	8	4	7	4	4	4	3	6	12	10	12	7	81	
Number of HH having degree of Graduation	10	6	10	6	6	6	3	7	15	12	14	8	103	
Number of HH having degree of P.G. and above	4	2	3	2	1	0	2	3	7	6	7	4	40	
Number of Govt. HH employees	7	4	6	4	3	3	2	5	11	9	11	6	71	
Number of pvt. HHs employees	30	17	28	17	15	14	11	23	47	39	46	26	313	
Avg. Income up to Rs.10,000	15	9	14	9	7	7	5	11	24	20	23	13	157	
Avg. Income between Rs.(10 K $\leq$ 30 K)	15	8	14	8	7	7	5	11	23	19	23	13	153	
Avg. Income above and between Rs.(30 K $\leq$ 40 K)	4	1	3	2	2	2	1	3	6	5	5	3	39	
Avg. Income of HH $\leq$ Rs. 40K	3	2	3	2	2	2	1	3	5	4	5	3	35	



### **1.8.6 Data Collection**

The data for the study include both primary as well as secondary. The primary data are collected from the household's respondents, different financial and non financial institutions available in Darjeeling district. The primary data has been collected by using a well structured interview schedule from selected respondents. The first part of the interview schedule contained questions about socio-economic status of the respondents; namely, gender, family status, marital status, education level, nature of occupation, income, caste-category, language, religion, geographic locations and their relation with financial literacy. The second part of the schedule contained questions about various financial products, awareness and preferences of different financial instruments. The third part of the schedule measures financial knowledge, financial attitude, financial behavior, financial skill and financial awareness of the respondents. The interview schedules were pre-tested before being administered. Primary data were collected through a direct interview method. The researcher met and interviewed all the respondents. For collection of data pertaining to financial literacy initiatives taken by different banks, convenience sampling method has been used for the selection of target bank branches.

In order to support and substantiate primary data, secondary data were used. The secondary data are collected from research journals, published data of RBI, NCFE, OECD, IRDA, NABARD, PRDA, SEBI, bank head offices and their branches, Insurance offices, post offices, census reports, office of district information centre, municipality and block development offices and offices of non-banking financial companies etc. The data for the study were collected during the period between 2017

to 2018. The average time taken to administer an interview schedule was around 20 minutes.

### **1.8.7 Statistical Tools used for Analysis**

For analyzing the research data and testing the hypotheses, Chi-square test ( $\chi^2$ ), factor analysis and one-way ANOVA (Analysis of Variance) were used. For checking the reliability of the scale, Cronbach's Alpha reliability statistics has been used. The analysis of research data has been carried out with the help of statistical software SPSS 20.00 and Microsoft Excel.

### **1.8.8 Scope of the Study**

Financial literacy and financial inclusion are two aspects of an efficient economy. In a developing country like India, financial markets have become complicated for those who are financially uneducated. The scope of the study is to analyze financial literacy among the people of Darjeeling district, i.e. how they save, spend, borrow and invest. The scope of financial literacy is relatively wider and it acquires more significance and relevance since it could act as a catalyst in the cooperation of excluded groups to formal financial system. Financially literate consumers help to reinforce competitive pressure on financial institutions to offer more appropriately priced and transparent services, by comparing options, asking the right questions and negotiating more effectively. This study also investigates some of the financial literacy initiatives taken in the Darjeeling district and attempts to suggest future directions. In India where inclusive growth is the prime objective, participation of every person irrespective of their financial affluence is required, in the growth process of the nation. The achievement of inclusive growth can be acquired only, when the marginalized people are financially included. In Darjeeling district the

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plantation workers, marginal farmers, landless labour, workers in unorganized sectors, migrant workers, ethnic minorities and other socially excluded groups are excluded to a good extent from financial inclusion. So the need for financial literacy is even greater considering the large section of diverse population, which still remains out of the formal financial setup.

### **1.8.9 Limitations of the Study**

India is demographically a huge country and there are variations in basic demographic indicators across states as well as districts. Thus, the results of the study are geographically location- specific and final conclusions drawn may not be applicable to other districts having different socio-economic conditions. The preference of household respondents on schemes of investment avenues may change from time to time; hence, the research study is valid for adequate time frame only.

### **1.8.10 Presentation of Thesis**

*Chapter 1-*The first chapter deals with general introduction to financial literacy, statement of the problem, objectives, research methods, and significance of the study scope and limitations of the study.

*Chapter 2-* The second chapter contains literature review on earlier studies of innovation, finance theories and review of the empirical studies on financial literacy and financial exclusion.

*Chapter 3-* The third chapter deals with the financial literacy initiatives taken by various financial institutions.

**Chapter 4-** The fourth chapter deals with the analysis of data and discussion of results related to various financial products. This chapter analyzes the awareness level of respondents towards various financial products available in the market. The effect of financial literacy of the respondents, on awareness level of financial products is presented and discussed.

**Chapter 5-** The fifth chapter deals with the analysis of data and discussion of results related to financial literacy. Financial literacy of the people is assessed by adopting a holistic approach. Under this approach financial literacy will be measured by combining its five probable dimensions i.e. financial knowledge, financial attitude, financial behavior, financial skill and financial awareness. This chapter also identifies the association between financial literacy and socio-economic factors.

**Chapter 6-** The sixth chapter presents a comparative study on the level of financial literacy in the hill and plain regions of Darjeeling district.

**Chapter 7-** The seventh chapter consists of summary of findings, recommendations and conclusion.

## **1.9 Conclusion**

Financial Literacy plays an important role in the economic upliftment of the country. In the era of globalization, financial knowledge has become not just a convenience but an essential tool for informed consumer choice. In this complex world, if the people are financially illiterate, they might face problems of financial emergencies, unorganized savings or investments, become victim to frauds and wrong individuals might enjoy the credit instead of the entitled candidates. Financial literacy has become an important survival tool for the consumers. Though Indians indulge in varied forms

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of savings, it has not resulted in adequate financial wellbeing of the mob. In order to be financially sound people must be well acquainted with investment, saving, borrowing, lending etc. This will help people in making prudent financial decision. Financial literacy accomplishment goes beyond the provision of financial information and advice. It can make a difference not only in the quality of life that individuals can afford but also helps in the integrity and quality of financial markets.

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## CHAPTER 2

### REVIEW OF LITERATURE

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#### **2.1 Introduction**

The concept of financial literacy relevant to the present study are compiled and presented in a logical order. To support and enrich the theoretical orientation of the present study, an attempt was made to review similar and relevant past studies and literature available in journals, magazines, newspapers and other resources. The study presents the literature in two segments as given below:-

1. Financial Literacy and Socio-economic factors
2. Financial Literacy and Financial Products

#### **2.2 Financial Literacy and Socio-economic Factors**

*Mathivathani and Velumani*<sup>1</sup> (2014) conducted a study on financial literacy among rural women in Tamil Nadu and found that the barriers to acquire financial literacy for women are some social and cultural barriers, physical barriers, educational barriers and financial barriers. Their findings indicate that financial literacy of marginalized rural women is abysmally low. They suggest that rural women need to know about existing financial services available in their region by attending workshops.

*Shethy and Thomas*<sup>2</sup> (2013) surveyed 100 students in the age group of 18 to 23 belonging to different faculties of science arts and commerce students in Mumbai by using questionnaire based on existing literature on the components of Financial Literacy. Their findings show that the financial knowledge among students in Mumbai is poor as compared to the global standards. The results of the study

suggest that more focus is required for increasing the financial literacy amongst all the students.

**Marzieh et al.**<sup>3</sup> (2013), in the article “Canadian Institute of Chartered Accountants CICA Youth Financial Literacy” revealed that age and education are positively correlated with financial literacy and financial wellbeing. He found that married people are more financially literate than unmarried people. He observed that higher financial literacy leads to greater financial well-being and less financial concerns.

**Gowri**<sup>4</sup> (2013) conducted a survey of young employees in the age group of 25 to 35 in Coimbatore City. He revealed that the financial attitude and behaviour are highly influenced by financial knowledge, possessed by an individual.

**Bijle**<sup>5</sup> (2012) investigated the money management practices of women SHGs members, in Grameen Koota of Karnataka. He found that the women had limited control over money management within their households, whereas men were well-versed about financial management but unwilling to discuss with their wives. The findings also show that the SHGs members had very poor or negligible knowledge about the management of savings and credit card. The study results state that the quality of SHGs can be improved only, if attention is shifted from merely increasing their number to enriching financial literacy.

**Mitchell and Lusardi**<sup>6</sup> (2011) in their study on ‘Financial Literacy around the World’ found that most people are more knowledgeable about inflation question, if their country has experienced inflation recently and he also found that most people are more knowledgeable about risk diversification, if the country has experience of privatization.

*Kefela, G. T. (2010)*<sup>7</sup> conducted a case study survey on ‘Promoting access to finance by empowering- Financial literacy in developing countries’. He found that nearly four billion people live at the base of the economic pyramid, surviving on less than two dollars a day. The finding also shows that the vast majority of people in developing countries are excluded from access to basic financial services and knowledge that are essential for progress. The results further suggest that financial literacy is an essential element in enabling people to manage their financial affairs and can make an important contribution to the soundness and efficiency of the financial system, and to the performance of the economy.

*Sages and Grable*<sup>8</sup> (2009) in their study found that the individuals who possessed the lowest level of financial risk tolerance are the least competent in terms of financial matters, and are less satisfied with their financial management skills. They also inferred that the individuals who possessed the high level of financial risk tolerance are more competent and shows the positive financial behavior.

### **2.3 Financial Literacy and Financial Products**

*Desai and Surti*<sup>9</sup> (2015) in their study ‘A Study on Financial Inclusion and Literacy Rate in India’ observes that many states in India have a higher literacy rate but the percentage of households availing banking services is very less. They found that states like Manipur have 79.21% literacy rate, but the percentage of households availing banking services is as low as 29.6% , which is a surprisingly low figure. They observed that in states like Meghalaya, Mizoram and Nagaland too, there is a vast difference between literacy rate and percentage of households availing banking services which is 36.93%, 36.43% and 44.65% respectively. The study reveals that there is a moderate correlation between percentage of households availing banking

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services and literacy level. The study also suggests that there are many other behavioral factors which the government has to take into consideration while preparing strategies for financial inclusion.

**A. Rohini and C.Monika<sup>10</sup>** (2015) in their study tested the role of ultra small branch in accelerating the pace of financial inclusion and found that there is an increase in the savings of the respondents after establishment and usage of USBs. The Study results provide that awareness among the people for savings using the deposit schemes and other services of the bank has to be enhanced, in order to make financial inclusion more meaningful.

**Singh Upendra<sup>11</sup>**(2014) study indicates that financial literacy and financial stability are two aspects of efficient economy and found that lower financial literacy is linked to lower household savings, as well as higher reported over-indebtedness. The Study also reveals that increases in financial literacy level substantially increase the demand for various banking services.

**Chandrasekhar<sup>12</sup>** (2014) conducted a financial literacy survey ‘Reading the Tea Leaves on Financial Inclusion: The Case of Rural Labour Households’ examines progress in financial inclusion using information on indebtedness of rural labour households collected by the National Sample Survey office. He found that quantum of borrowings by rural labour households from different sources was Rs. 13,311 crore from formal institution; Rs. 12,026 crore from moneylenders and Rs. 11,035 crore from other non-institutional sources. He found that the proportion of indebted rural labour households has declined from 47.3% in 20014-05 to 33.9% in 2009-10. He also found that the southern states which have a good penetration of banks and microfinance institutions account for such a large proportion of borrowing from money lenders. Finally he suggest that the Govt. emphasis on financial inclusion as

means for promoting inclusive growth will succeed only if it looks beyond the low hanging fruit, i.e., bring about structural change in geographical distribution of the flow of credit, and increasing the shares of outstanding advances to the lenders.

**Gupta and Singh<sup>13</sup>** (2013) did a research on role of literacy level in financial inclusion in India: empirical evidence with objective to assess the correlation between the usage dimension of financial inclusion index and literacy level in India and they conclude that lower literacy rate is not main reason for low financial inclusion in India. They suggested that for achieving financial inclusion government should focus on behavioral factors.

**Ghosh<sup>14</sup>** (2013) in her study of the awareness of and willingness to pay for health insurance in Darjeeling district found that 18.5% are insured to some health insurance scheme and 81.5% are uninsured. She also found that the mean score for willingness to pay for the insured person is higher than the mean score for willingness to pay for the uninsured person. Analyzing the data she observed that more educated people are less likely to be willing to pay higher amounts in a health insurance scheme. She also observed that there is a lack of general awareness for health insurance among the people.

**Behrman, Mitchell, Cindy , and Bravo<sup>15</sup>** (2012) conducted a study on the effects of financial education and financial literacy and found that financial literacy was positively and significantly associated with total net wealth and each of its components. The findings also reveal that the people who find it difficult to understand their financial environment are also less likely to accumulate wealth.

**Bumcrot and Lusardi<sup>16</sup>** (2011) conducted a study on The Geography of Financial Literacy and found that most Americans were not familiar with fundamental concepts of basic financial decision-making. They also found that there was considerable

geographic variation in financial literacy. The results further suggest that a direction of future research is to better understand the origins of the geographical differences in financial literacy.

*Seshan*<sup>17</sup> (2011) in his study tested the financial literacy training for migrant workers in home and host countries. The results established that average annual income in Qatar corresponded to 313,746 Indian rupees (INR) or \$6,175 and average annual remittances touched INR133,967 (\$2,637). He found that the average personal financial savings of the migrant held in Qatar and India corresponded to INR121, 687 (\$2,395). He also observed that in India, the household's annual income (excluding members working abroad) averaged INR5,556 (\$109). He inferred that about 47 per cent of wives stated that they saved regularly. The findings of the study reveals that the financial literacy workshop led to several changes in financial practices, savings goals, and financial outcomes of the migrants. Lastly, the findings shows that there is less evidence that the workshop has an impact on actual financial decisions made by families back home in India.

*Turnham*<sup>18</sup> (2010) conducted a study 'Attitudes to Savings and Financial Education Among Low-Income Populations' to explore how community-based organizations might encourage better financial practices, including higher savings rates, among low-income and vulnerable populations. The focus groups gathered information on saving motives, practices, and attitudes as well as opinions about the timing, content, and form of financial education efforts. Findings suggest that educating low-income and vulnerable population about financial concepts is important. He found that efforts focused on behavioural changes, particularly strengthening discipline around savings and spending, may be more effective for promoting long-term financial well-being.

*Altaf*<sup>19</sup> (2014) had conducted a study on “Measuring the level of financial literacy among management graduates in Central University of Kashmir”. The main objective of his study was to measure perception of graduate students towards finance. He found that students do not have a satisfactory knowledge and skill in financial literacy. He also found that financial awareness programs in college and university curriculum will be a good and effective initiative to improve financial literacy.

*Chen and Volp*<sup>20</sup> (1998) surveyed 924 students from 13 public and private universities across US to examine college students knowledge of personal finance. This study used comprehensive questionnaire designed to cover major aspects of personal finance. There were total of 52 questions which included 36 multiple choice questions, 8 questions on opinions and decisions and 8 questions on demographic data. The sample used for this study included a high proportion of the students with business majors and these students scored higher than the students in other fields of study. Results of the survey suggest low level of financial literacy among students. The overall mean of correct answer for the survey was about 53%, which shows that college students were not knowledgeable about personal finance. They found that for each of the area personal finance such as savings and borrowings, insurance and investments the mean score were not above 65%. The least score was obtained in the area of investments where mean score found to be 40%.

*Bhattacharjee*<sup>21</sup> (2014) in his study ‘ Financial Inclusion of the Identified Slum Dwellers in Assam’ , found that many slum dwellers are still not aware of various financial products and they are reluctant to take the advantages of formal financial sector. He also found that ratios of Deposits and Credit accounts is very low in Assam with 36.8 (Deposits) and 4.2 (Credit). The present research work has proved that there

is an imperative need for accelerating the pace of financial inclusion in the identified slum dwellers in urban areas of Assam. Finally the study results state that the Government of India and RBI should come forward to frame some effective policies and implement it through appropriate governance so that universal banking services can be extended to the un-served.

*Sarma and Borman*<sup>22</sup> (2014) in their study on 'Financial Inclusion and Assam GraminVikash Bank: A Review of Performance' found that the AGVB (Assam GraminVikash Bank) has great responsibility to include all those needy and poorer groups of people into the ambit of banking network. The finding show that during the financial year 2011-12, a total of 816 villages with population over 2000 were taken up by the bank for conducting Financial Literacy programmes with financial support under Financial Inclusion Fund of NABARD. The finding also shows that AGVB has made necessary arrangement for extending micro insurance products to the disadvantaged group of customers, through tie-up arrangement with Bajaj Allianz Life Insurance Company Ltd. The results further suggest that AGVB should provide doorstep banking services as an incentive so that other financial excluded people also join its financial inclusion programme.

*Datta*<sup>23</sup> (2016) conducted a study on 'Self Help Groups in Tripura and marketing of the Products: an overview' and found that the SHGs are engaged in a lot of economic activities. He also observed that SHGs take up the activities like agriculture, horticulture, poultry, goatery, piggery, duckary, sericulture, and plantations etc. The findings also indicate that SHGs products reach to its final consumers through both direct and indirect channels. The study also revealed that till March, 2013, there were 39,082 SHGs in Tripura state and also found that about 90 percent of the SHGs have



taken up economic activities relating to agriculture, animal husbandry, handloom and handicraft sectors.

*Nayak*<sup>24</sup> (2013) in his study 'A Study on Tripura State Cooperative Bank' found that the cooperative movement gained its momentum in Tripura during the last two decades. The working capital of the bank was also increased from Rs.2114.38 lakh in 1986-87 to Rs.5113.73 lakh in 1991-92 and outstanding loan was found to be increasing year after year and it stood at Rs.2432.59 lakh in 1991-92. He also found that the loan recovery has been reduced from 92.73 percent in 1966-67 to 14.83 percent in 1991-92. The study reveals that the bank was giving more importance to agricultural and agro-allied activities during 1987-88 but unfortunately, in course of time, the importance of agriculture in the eyes of the bank was reduced. Agricultural loan was reduced from 41.15 percent in 1987-88 to 25.5 percent in 1991-92. He observed that, despite many hindrances created by willful defaulters and inexperienced managerial personnel in the bank on the way of expansion, the TSCB has significantly expanded to a considerable extent since its inception.

*Roy*<sup>25</sup> (2004) dealt with the issue of Micro-Finance and it's Inter-State Disparities in North-East India. He tried to highlight the issues & causes of inter-state variation of microfinance programme in N.E. India. The results indicate that Assam is the leader state of North-Eastern region that shows relatively better performance compared to the other states of North-East. On the other hand, Sikkim shows relatively poor performance. He found that the differences in the progress of scheme in the North-eastern states are mainly due to differences in communication facility, literacy, geographical positions and moreover the differences between the activities and availability of the banking agencies.

**Refera, Dahliwal and Kaur**<sup>26</sup> (2018) conducted the study to examine the relationship between level of financial literacy and personal financial management practices from the Urban Dwellers in Addis Ababa, Ethiopia. They found that financial attitude and confidence in financial decision making have a statistically significant positive effect on financial management behaviour of urban dwellers in Addis Ababa. They inferred that there is no statistically significant effect of financial knowledge. They suggest that financial education programs should be given more weight to financial attitude than financial knowledge. They also suggests that the teaching in practical financial management skills to people is equally important to inculcate the positive attitude in improving capability and confidence in making optimal personal financial decision making.

**Dalkilic1 & Kirkbesoglu**<sup>27</sup> (2015) conducted the study on “The Role of Financial Literacy on the Development of Insurance Awareness”. The aim of this study was to investigate the effect of financial literacy in the development of the insurance awareness. In order to examine the relationship between financial literacy and insurance awareness over 400 university students from different academic background were taken. They found that that there is statistically significant difference between insurance awareness levels between the students group, who took finance thematic courses and the students who didn't taken finance thematic courses.

**Biswas and Gupta**<sup>28</sup> (2012) conducted a study on “Financial Inclusion and Financial Literacy: A Comparative Study in their interrelation between selected urban and rural areas in the state of West Bengal”. For the purpose of the study, a survey was conducted amongst individuals residing in the state. They found that there is very low level of financial literacy in the districts of West Bengal. They inferred that mean

financial literacy score of rural respondents much lower than that of urban respondents. They also found that the variables like: occupation, educational background, household incomes are statistically significant, which have an association with financial literacy.

**Bhusan<sup>29</sup>** (2014) Conducted a study on “Insights into Awareness Level and Investment Behaviors of Salaried Individuals towards Financial Products” to examines the awareness level and investment behavior of salaried individuals towards financial products. Results of the study suggested that respondents are quite aware about traditional and safe financial as compared to the new age financial products. He found that the majority of the respondents park their money in traditional and safe investment avenues. He has also found that highest awareness level is for bank fixed deposits followed by savings account, life insurance, post office savings, public provident fund, national savings certificate, kisan Vikas Patra, pension funds, mutual funds, stock market, bonds, debentures, commodity market and forex market. From the analysis of the results it is clear that majority of the respondents park their money in traditional and safe investment avenues.

**Sharma and Kukreja<sup>30</sup>** (2013) conducted a study on “An Analytical Study:Relevance of Financial Inclusion For Developing Nations”. The study focuses on the role of financial inclusion, in strengthening the India’s position in relation to other countries economy. For analyzing such facts data for the study has been gathered through secondary sources including report of RBI, NABARD, books on financial inclusion and other articles written by eminent authors. They found that financial inclusion has not yielded the desired results. They observed that nearly half of the Indian population doesn’t have access to formal financial services and are largely dependent on money

lenders. They concluded that undoubtedly financial inclusion is playing a catalytic role for the economic and social development of society but still there is a long road ahead to achieve the desired outcomes.

***Kumari & Reddy***<sup>31</sup> (2017), conducted a study on “RBI Initiative in Promoting Financial Literacy A Study with Special Reference to Mumbai”. The objective was to determine the level of financial literacy among target and to identify the important factors affecting financial attitude and behavior among the target respondents. In order to measure the financial behavior and attitude, they used the factor analysis statistical tool to determine the important factors having an influence on financial behavior and attitude. They found that the 58% of the respondents are financially literate. They also observed that there is significant difference between the two media and they concluded that press release is the most effective media for creating general financial awareness and workshops are the least. They suggested that financial education website should be updated regularly and be made interactive to increase the efficiency of workshops.

***Gnani V Dharmaja, Ganesh and Santhi***<sup>32</sup> (2012) examined the financial behaviour of investors of Geojit BNP Paribas financial services limited in Coimbatore city. They found that 61 % of the investors are having medium literacy score and 9.5% of the investor are low in their financial literacy score and they found that, 29.5% of the investors are having high financial literacy score . It was also found in the study that majority of the investors (60%) are neutral in their financial tolerance and 18% are pessimist in their attitude towards their financial resource and 22% are optimist in their financial attitude.

**Sanjay Kanti Das**<sup>33</sup> (2012) analyzed the Investment Behaviour of Middle Class Households in Nagaon district, Assam. He observed that the most preferred investment by the households is the bank deposits among all age groups of investors. However the 52% of the investors in the oldest age category marked bank deposits as most preferred investment instrument avenues and the preference reduce to 39% in case of the younger age group. He has further observed that the lower and middle income groups prefer small savings while shares and mutual fund schemes are preferred by higher income class household investors. He has also found from that majority of the investors look for tax advantage while investing in any instrument followed by the high return.

**Tripathi**<sup>34</sup> (2014) examined the perception of the investors towards derivative trading in Delhi and NCR region of India. She found that investors mainly invest their money in real estates and insurance as they are the options offering great returns with minimum risk associated with it. She observed that there is no significant effect of educational qualification of investors on investor's perception towards derivatives trading. It was also found that there is a significant effect of income level of investors on investor's perception towards derivatives trading. It was also evidenced that there is no difference in investor's perception of male and female towards derivatives investment It was inferred that investors mainly use their own broker's or agents advice to invest in derivatives market.

**Mahapatra & Das**<sup>35</sup> (2017) investigated the Measurement of Financial Literacy among the People of Kamrup District, Assam. He found that financial literacy level of the people of the Kamrup, Assam is more than the average. However, it is low among students and house wives. It was also evidenced that in Kamrup district of Assam,

some of the groups of people are unaware of their finance related issues. He inferred that financial literacy level gets affected by gender, marital status, age, education, income and nature of employment.

*Nicolini, Cudeand Chatterjee*<sup>36</sup> (2013) conducted the study on “Financial literacy: a comparative study across four countries”. According to them there are varying levels of financial knowledge across the four countries: Canada, Italy, UK and US. They found that the knowledge score on the inflation question in the UK sample was the lowest across the four countries. Their results clearly indicate that there is the need to coordinate if not standardizes financial literacy assessments across countries.

*Dube and Asthana*<sup>36</sup> (2017) in their study ‘ A Comparative Study on Financial Literacy of Uttar Pradesh with Central Zone States in India’ found that financial literacy level in Uttar Pradesh is just half of the financial literacy level in India. They observed that in term of financial attitude and financial knowledge, Uttar Pradesh stood third out of four in central zone states. They also observed that in terms of financial behaviour that is habit making household budget; borrow to meet ends, careful purchases, paying bills and affordability for the long term etc. Uttar Pradesh stood last out of all four states in central zone which shows a serious concern. They suggest that the Government, private players in the markets and financial institutions should take more initiatives in starting programme to educate people regarding the benefits of financial planning.

*Raniand S.Saraswathi*<sup>38</sup> (2017) conducted a ‘Comparative Study on Financial Literacy Among Arts and Science College Students’ involving 120 of the Virudhunagar district of Tamil Nadu and found that Arts students have better knowledge about financial literacy as compared with science students. They also

found that most of the students are facing several financial problems due to lack of financial knowledge.

***Bajpai and Bhalchandra***<sup>39</sup> (2015) in their study ‘Rational & Irrational Factors Affecting Real Estates Buying Behaviour of Different Nationalities with Special Reference of Dubai : A Survey’ focuses on rational and irrational factors that affect buying behavior of various nationalities while purchasing real estate property in Dubai. They found that there was a significant difference in decision making regarding buying property in Dubai among the respondents. They observed that the factors & their degree of influence in real estate property show the typical understanding about the market scenario and how the people think about the investment in the real estate. They conclude that financial factor was the highest consideration by the participants to make the decision of buying the property in Dubai.

***Nilankannu and Selvaraj***<sup>40</sup> (2018) conducted a financial literacy survey on ‘Saving and Investment pattern of college teachers’ and found that investors are sensitive about their safety of their investment preferences. It was observed from the study that there is significant relationship between annual income and annual saving of the college teachers. Their findings also indicate that there is no relationship between age and investment pattern of the college teachers. Their result indicate that most of the teachers basically preferred for low risk financial products like bank deposits and insurance as a part of investment options. They also observed that there is lack of awareness about high risk financial products like equity, debentures and mutual funds etc.

## **2.4 Research Gaps**

On reviewing the existing literature, it was found that a few research studies on financial literacy have been carried out in developing countries like India. The in-depth study of financial literacy in Darjeeling district has not been measured by any of the earlier studies carried out in the Indian context. The different stakeholders have been focusing on financial literacy of Indian rural and semi –rural areas primarily for three reasons: (a) Creating a platform for inculcating the habit of saving money (b) Providing formal credit avenues (c) Plug gaps and leaks in public subsidies and welfare programmes. But, the literature reviews presented in the earlier studies are inadequate at micro levels of financial literacy. The present study is an attempt to bridge the gap by undertaking an in-depth study of FL at the micro levels in Darjeeling district.



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## **CHAPTER 3**

### **FINANCIAL LITERACY INITIATIVES**

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#### **3.1 Introduction**

Over the past few decades, India has implemented a wide range of financial sector reforms. Even after 72 years of independence majority of the population in India is socially and economically excluded. It becomes imperative that social inclusion is made better with financial literacy. K. C. Chakrabarty, as Chairman and Managing Director<sup>xxxii</sup>, Indian Bank said that “Financial Exclusion is the lack of access by certain consumers to appropriate low cost, fair and safe financial products and services from the main stream providers”. Financial literacy has played a vital role in the recent scenario due to many reasons viz. development of the new complexity in financial products, high degree of innovation in financial markets, changes in technology, information asymmetry and changes in the other socio-economic factors. Financial literacy is the ability to know, monitor, and effectively use financial resources to enhance the well-being and economic security of oneself, one's family, and one's business<sup>xxxiii</sup>. Over the past few decades, India has taken financial literacy initiatives and implemented wide range of reforms for the economically and socially excluded population. If better initiatives are taken for financial literacy, socially and economically excluded people will come towards financial inclusion.

#### **3.2 Financial Literacy in India**

The level of financial literacy varies across state and union territories due to variation in the socio-economic and demographic variables like geographic region, education, income, age, sex, religion, marital status and nature of employment etc. The level of

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financial literacy among different state and union territories in the year 2015 is shown in Table 3. 1:

**Table 3.1 State-wise wise level of financial literacy in India in the year 2015**

Sl No.	Name of the State	Level of Financial Literacy
1	Andhra Pradesh	23%
2	Arunachal Pradesh	10%
3	Assam	20%
4	Bihar	8%
5	Chhattisgarh	4%
6	Goa	50%
7	Gujarat	33%
8	Haryana	21%
9	Himachal Pradesh	16%
10	Jammu and Kashmir	18%
11	Jharkhand	15%
12	Karnataka	25%
13	Kerala	36%
14	Madhya Pradesh	23%
15	Maharashtra	17%
16	Manipur	36%
17	Meghalaya	24%
18	Mizoram	6%
19	Nagaland	8%
20	Odisha	9%
21	Punjab	13%
22	Rajasthan	20%
23	Sikkim	8%
24	Tamil Nadu	22%
25	Tripura	21%
26	Uttarkhand	23%
27	Uttar Pradesh	10%
28	West Bengal	21%

*Source- Data Compiled from the National Centre for Financial Education Report, 2014<sup>xxxiv</sup>*

Table 5.1 shows that states like Goa, Kerala, Gujarat shows the highest level of financial literacy i.e. 50 percent, 36 percent and 33 percent respectively. Whereas level of financial literacy in West Bengal is 21 percent, which is still considered very low. Considering the present facts, financial literacy is indispensable in West Bengal.

**Table 3.2 union-territories wise level of financial literacy in India in the year**

Sl No.	Name of the State	Level of Financial Literacy
1	Andaman & Nicobar Island	14%
2	Chandigarh	38%
3	Dadra & Nagar Haveli	31%
4	Daman & Diu	29%
5	Lakshadweep	22%
6	Puducherry	21%
7	Delhi (NCT-National Capital Territory)	32%

*Source- Data Compiled from the National Centre for Financial Education Report, 2014<sup>xxv</sup>*

Table 3.2 depicts the level of financial literacy among Union- Territories in India. The highest level of financial literacy is in Chandigarh i.e. 38 percent followed by Delhi, Dadra and Nagar Haveli with 32 percent and 31 percent respectively.

### 3.3 Financial Literacy Initiatives

In India, large number of stakeholders such as regulatory agencies, financial and non-financial institutions, Govt. agencies, stock exchange authorities, educationists, NGO's and other agencies are involved in spreading financial literacy, to create awareness about various financial instruments and services, good financial practices, going digital and consumer protection. Some of the initiatives undertaken by different stakeholders are as follows: -

**Table 3.3: Mapping Financial Literacy Initiatives by Institutional Type**

Worldwide Institutions	Regulatory Agencies	Banks	Others
(a) OECD	(a) RBI	(a) Axis Bank	(a) Post Office
(b) World Bank	(b) IRDA	(b) Bank of Baroda	(b) NABARD
(c) NCFE	(c) SEBI (d) PFRDA	(c) Bandhan Bank	
		(d) Bank of India	
		(e) Canara Bank	
		(f) Central Cooperative Bank	
		(g) Corporations Bank	
		(h) Dena Bank	
		(i) HDFC	
		(j) Indian Overseas Bank	
		(k) SBI	
		(l) Sahara India	
(m) UCO Bank			
(n) Union Bank of India			
(o) United bank of India			



### **3.3.1 Initiatives by Organization for Economic Co-operation and Development (OECD)**

OECD is an intercontinental economic organization consisting of 34 countries. It was founded in 1961 to promote economic policies and social wellbeing around the globe. OECD focuses on helping nations across the world to build up healthy public finance, restore confidence in financial markets and various institutions that regulates and facilitates world trade growth. OECD/INFE (International Network on Financial Education) assists and straightens international cooperation between policy makers and other stakeholders on financial education and financial inclusion issues around the world. Digital financial literacy has become a subject of considerable interest to the global financial policy-making agenda. Chinese Presidency in 2016 and German Presidency in 2017 have also given more priority to the opportunities and challenges created by digital financial services<sup>xxxvi</sup>. OECD/INFE has taken it as an opportunity to consolidate its global leadership role on financial literacy and education aspects to address the impact of digitalization<sup>xxxvii</sup>. In the month of November 2017, India-OECD Global Symposium on Financial Education was initiated by OECD.

The financial education symposium focuses on implementing effective financial education policies in a changing financial landscape. The symposium addressed the following themes:

- Financial literacy in the digital age: challenges and opportunities
- Effective delivery of financial education in the digital age
- National strategies for financial education
- The role of public, private and civil stakeholders
- The needs of target audiences

•Supporting safe investment through financial education<sup>xxxviii</sup>

On 21<sup>st</sup> and 22<sup>nd</sup> of September 2006, OECD held a conference on ‘‘Financial Education’’ in Delhi and the conference was hosted by the Pension Fund Regulatory and Development Authority (PFRDA) of India and organized under the aegis of the OECD Insurance and Private Pensions Committee and Committee on various financial markets with support from the government of Japan<sup>xxxix</sup>. The main objective of this conference was to assist policymakers, stakeholders and providers of financial education.

OECD/INFE has also designed different questionnaires in order to measure financial literacy and financial inclusion. The financial literacy questionnaires and guiding notes are designed on the basis of financial knowledge, attitude, behavior, skill and awareness level of the respondents. Such questionnaires are very helpful in surveying and measuring the level of financial literacy.

### **3.3.2 Financial Literacy Initiatives by World Bank**

World Bank Group, (2018)<sup>xi</sup> considers financial inclusion as a key enabler in reducing extreme poverty and boosts shared prosperity, and has put forward an ambitious global goal to reach Universal Financial Access (UFA) by 2020. The World Bank has designed a website concerning ‘‘financial consumer protection and financial capability’’. On the 13<sup>th</sup> and 14<sup>th</sup> of June 2013 in Moscow , Russia’s G20 Presidency with the support of World Bank and the Organization for Economic Cooperation and Development (OECD) organized a conference on the topic Empowering Consumers of Financial Products and Services through improved financial literacy and effective consumer protection systems<sup>xii</sup>. Financial literacy is an integral part of world bank.

World Bank has been organizing many conferences in India. List of conferences initiated by World Bank are as follows: -

*India-OECD-World Bank Conference on financial education in India and Asia-March 2013:*

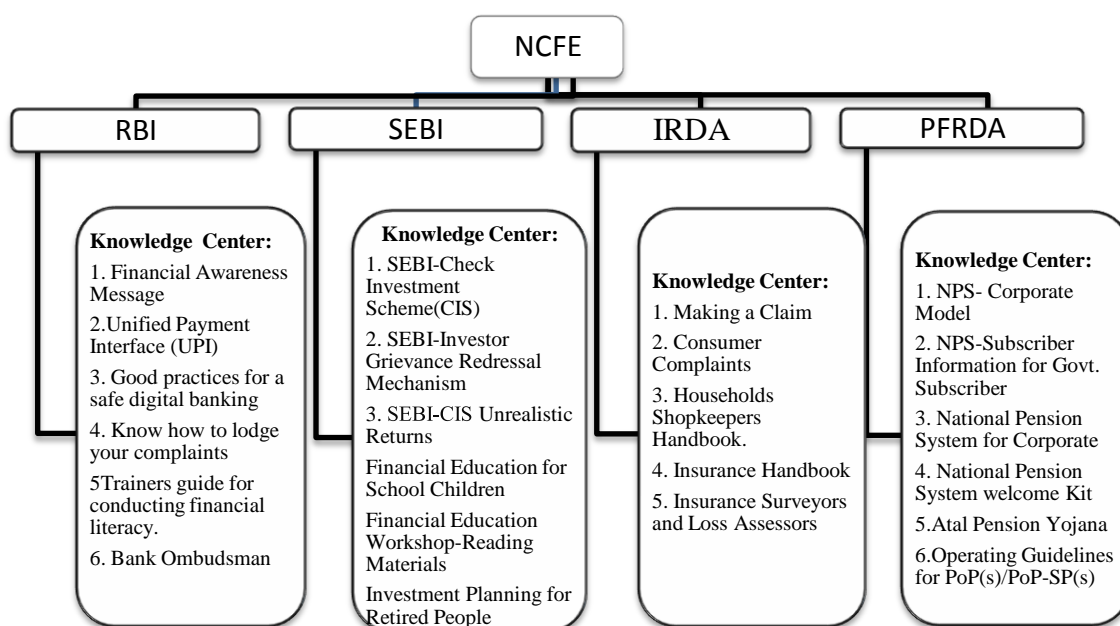
This conference was organized by OECD, World Bank and the Reserve Bank of India. This conference was attended by many stakeholders like OECD (Organisation for Economic Co-operation and Development) and World Bank representatives, high-level officials from ministries of finance and education, central banks, regulatory and supervisory authorities, various officials of state governments and international organizations, private sector, the academic and civil community and NGOs<sup>xlii</sup>. The main objective was the measurement of financial literacy and evaluation of methods for financial literacy programs for young people and women. Recently World Bank has started a World Bank Family Network (WBFN) to provide training opportunities on money matters<sup>xliii</sup>.

### **3.3.3 Initiatives by NCFE (National Central for Financial Education)**

National Centre for Financial Education (NCFE) is a Non-Profit Company promoted by regulatory agencies in India viz. Reserve Bank of India (RBI), Insurance Regulatory and Development Authority of India (IRDAI), Securities and Exchange Board of India (SEBI), and Pension Fund Regulatory and Development Authority (PFRDA). NCFE has designed an official website for consumer education in retirement and pensions, income, expenses, budgeting, credit and debt management, insurance, investment, financial planning, Govt. Schemes, fraud protection and grievances redressal. NCFE has been organizing Financial Education Training

Programmes (FETP) for school teachers across India. After completion of the FETP, these teachers will be certified as “Money Smart Teachers” and would facilitate for conducting financial education classes in schools. In many places NGOs and intermediaries have conducted financial education programs dealing with pension services for the underprivileged. Television, radio and print media have also been used to spread financial education concerning pension services. They have also taken initiatives such as Money Smart School Program (MSSP) for school students. NCFE has also been organizing program on Financial Education and Consumer training (FACT) for graduate and post graduate students. NCFE also provides FACT (Financial Awareness and Consumer Training) to our young graduates and post graduates, on topics relevant to them, which will have a positive impact in their financial wellbeing<sup>xliv</sup>. They have also designed a website “Grievance Redressal Facilities” concerning banking, pensions, securities market and insurance. NCFE provides financial education with the help of following regulatory agencies in India viz. Reserve Bank of India (RBI), Insurance Regulatory and Development Authority of India (IRDAI), Securities and Exchange Board of India (SEBI), and Pension Fund Regulatory and Development Authority (PFRDA).

**Figure 3.5 NCFE Financial Education**



### 3.3.4 Initiatives by Reserve Bank of India

Financial Literacy is an important component of the Reserve Bank of India. RBI has developed tailored financial literacy content for five target groups' viz. farmers, small entrepreneurs, school children, Self Help Groups (SHG's) and senior citizens that can be used by the trainers in financial literacy programmes<sup>xlv</sup>. Financial literacy and financial inclusion are the two important pillars of the Reserve Bank of India. Financial Literacy works from the demand side and financial inclusion works from the supply side. Reserve Bank of India has taken financial literacy initiatives through audio visuals which have been designed for the benefit of different stakeholders. These Audio Visuals are based on 'Basic Financial Literacy', 'Unified payment interface', and Going Digital'. Reserve Bank of India has already created a link on its website to give financial education on different existing financial products in different languages. A financial education site was launched on November 14th, 2007 commemorating Children's Day. The RBI provides financial education in 13

multi-lingual reading materials for the common people through Comics books i.e. (Raju and Money Kumar series). The titled ‘Raju’ series explains the finance concepts. The ‘Money Kumar’ series simultaneously explains the role and functions of Reserve Bank. The Reserve Bank of India had introduced financial literacy week from June 4th, 2016 across the nation to create financial awareness among bank customers about various existing financial products and services, good financial practices and digitization. The target groups of this initiative are farmers, industrialists, school students, senior citizens and self- help groups. The Reserve Bank of India has also launched ‘RBI Young Scholars Award’ Scheme amongst students undergoing undergraduate studies to generate interest in and create awareness about the banking sector and the Reserve Bank<sup>xlvi</sup>. Under this scheme, total 150 young scholars are selected across the country on the basis of competitive examination and are awarded internship in Reserve Bank. RBI has ordered other banks in India to open Financial Literacy Centres (FLCs) to nurture financial literacy on a mass scale. At the end of 2012, there were 658 FLCs operating throughout the country, which educated about 1.5 million people during the year<sup>xlvii</sup>.

Table 3.4 depicts the progress of schedule commercial banks in the Financial Inclusion plan, over the past three years i.e. 2010, 2011 and 2012, it gives an idea of the positive effects of the steps taken by Reserve Bank of India.

**Table 3.4 Progress of Scheduled Commercial Banks in Financial Inclusion Plan (excluding Regional Rural Banks)<sup>xlviii</sup>(Amount in ₹billion)**

Particulars	March 2010	March 2011	March 2012	Variation, March 2012 over March 2010
1	2	3	4	5
No. of BCs / BC Agents deployed	33,042	57,329	95,767	62,725 (+)
Number of banking outlets in villages with	27,353	54,246	82,300	54,947(+)

population above 2,000				
Number of banking outlets in villages with population less than 2,000	26,905	45,937	65,234	38,329(+)
<b>Total number of banking outlets in villages</b>	<b>54,258</b>	<b>100,183</b>	<b>147,534</b>	93,276(+)
<i>Of which</i>				
a) Through branches	21,475	22,662	24,701	3,226 (+)
b) Through BCs	32,684	77,138	120,355	87,671 (+)
c) Through Other Modes	99	383	2,478	2,379(+)
Urban Locations covered through BCs	433	3,757	5,875	5,442(+)
<b>No-Frill accounts</b>				
Number (millions)	50.3	75.4	105.5	55.2(+)
Amount (INR billions)	42.6	57.0	93.3	50.7(+)
<b>Overdraft availed in No-Frill Accounts</b>				
Number (millions)	0.1	0.5	1.5	1.4(+)
Amount (INR billions)	0.1	0.2	0.6	0.5(+)
<b>Kisan Credit Card (KCC)</b>				
Number of Accounts (millions)	15.9	18.2	20.3	4.4(+)
Outstanding amount (INR billions)	940.1	1,237.4	1651.5	711.4(+)
<b>General Purpose Credit Card (GCC)</b>				
Number of Accounts (millions)	0.9	1.0	1.3	0.4(+)
Outstanding amount (INR billions)	25.8	21.9	27.3	1.6(+)
<b>ICT Based Accounts through BCs</b>				
Number of Accounts (millions)	12.6	29.6	52.1	39.5(+)
Number of transactions during the year (million)	18.7	64.6	119.3	100.6(+)

*Source: Reserve Bank of India's 2012 Annual Report. Extracted on 11th November, 2012*

### **3.3.5 Initiatives by Insurance Regulatory Development Authority (IRDA)**

In India, the Insurance Regulatory Development Authority (IRDA) was constituted in 1996. Insurance is one of the fastest growing sectors in India. The Insurance Regulatory and Development Authority has also taken various initiatives in the area of financial literacy. IRDA has conducted a pan India survey on awareness levels about insurance which was carried out through NCAER in a bid to improve its strategy of creating insurance awareness<sup>xlix</sup>. In order to make clients more aware, the IRDA has also published “Policyholders Handbooks” and even comic book series concerning insurance policies and its terms and conditions. The govt. of India has taken a number of initiatives to boost the insurance industry. Some of them are as follows: National Health Protection Scheme like Ayushman Bharat, Pradhan Mantri

Fasal Bima Yojana (PMFBY) in 2017-18, Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY). The manager of LIC, Darjeeling head opined that; Darjeeling LIC head branch has taken the initiative, Bima Gram Yojana (BGY) in various places like Bijanbari (2016), Bagora (2015), Teesta (2016). This initiative has resulted in the inclusion of 100 people from Bijanbari, 120 people from Teesta valley and 200 people from Bagora. LIC, Darjeeling branch has also taken the initiative of providing 'student of the year trophy' for the best financial literate students in different schools viz. North Point (2017), Loreto (2017), Kalimpong Augustine (2017), Kalimpong Girls (2017) and even in schools from rural areas such as Dotrea and Balasan school (2017). According to the branch manager, LIC Darjeeling Branch, has also taken the initiative like 'BIMA school' scheme for child policies in the year 2016. This branch has also taken various initiatives like Pradhan Mantri Insurance Yojana Scheme in Ghoom, Mirik and Kalimpong in collaboration with the central bank, corporation bank, United Bank, Indian Overseas Bank etc. The branch has done hoarding in different places like Rohini, Batasia, Teesta etc. for different govt. sponsored insurance facilities. Such schemes have been broadcasted on national television and radio as well as print media in sustained campaigns in English, Hindi and 11 other Indian languages. IRDA has designed official website for the consumer education in policies, insurable interest, settlement of insurance claims, surrender value of policy and other terms and conditions of contract insurance etc.

LIC Darjeeling branch has also actively engaged in spreading Digital Financial Literacy Campaigns. According to the branch manager of LIC Darjeeling, 450 active agents from their department indulge in door to door campaigning of different insurance facilities. These agents are tied up with corporate agents of different banks



such as Central Bank India, Allahabad Bank, United Bank, UCO bank, Axis bank, UBKG, Indian Overseas Bank etc.

On 31<sup>st</sup> March, 2018, the total Insurance holders in Darjeeling branch was 80,000 with 28 products and total no. of policy was 1,12,232. In the view of branch manager, in the last Financial Year (2017-18) the total number of claim settled for survival benefit was 8,594 and number of claim settled for maturity benefit was 3,310. In the financial year 2017-18, the total claim settled (Survival +Maturity) was 41crores 96 lakhs. Finally, the branch manager also said that, after the implementation of GST, LIC products were reduced due to of complexity.

### **3.3.6 Initiatives by Securities Exchange Board of India (SEBI)**

The Securities and Exchange Board of India was established in the year 1988 but was given regulatory power on April 12, 1992. The Preamble of the Securities and Exchange Board of India<sup>1</sup> has described the basic functions of the Securities and Exchange Board of India: “protect the interests of investors in securities market and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto”. SEBI has been reaching the masses to spread financial literacy across the country by targeting various groups such as retired personnel, self-help group(s), middle income group, working executive, school children, homemakers, households and college students by involving resource persons throughout India. SEBI has also provided investor awareness programmes through about 1700 SEBI resource persons<sup>ii</sup>. SEBI has also taken the initiative of Financial Literacy Quiz context 2016 for management students with the help of National Institute of Securities Markets(NISM) in association with Birla Sun Life Mutual Fund<sup>iii</sup>. Recently SEBI has launched a toll free helpline number in 14 languages for

the investors wherein they can seek information on any issue related to finance<sup>liii</sup>. SEBI has also organized different programmes in the year 2018 for educating investors, which are briefly highlighted below:

**Table: 3.5 Investors Education Programmes 2018-19<sup>liv</sup>**

Sl. NO.	Date	Venue	No. of Participations	Participations Profile
1.	Friday, June 22, 2018	S. K College of Science & Commerce Nerul	98	Commerce Students
2.	Friday, May 18, 2018	Indian Academy School of Management Studies, Banglore	74	MBA Student
3.	Thursday, May 17, 2018	T John Institute of Management Studies, Banglore	67	MBA Student
4.	Tuesday, May 15, 2018	Dept of commerce, Alagappa University, Karaikudi	40	Research Scholars

*Source: National Institute of Securities Markets, 2018*

### 3.3.7 Initiatives by Pension Fund Regulatory Development Authority (PFRDA)

The Pension Fund Regulatory & Development Authority Act bill was passed on 19th September, 2013 and it was notified on 1st February, 2014<sup>lv</sup>. PFRDA in co-ordination with the CRA(Credit Rating Agency) has conducted an online survey to estimate the level of financial literacy and NPS awareness of government employees. The survey was open from 14th July 2016 to 18th August 2016. On 28<sup>th</sup> Feb, 2018 finance minister Arun Jaitley launched ‘Pension Sanchay’, a financial literacy and pension planning website<sup>lvi</sup>. PFRDA has also appointed aggregators (intermediaries) who are directly responsible for financial literacy concerning pension awareness mostly in vernacular languages.

### **3.3.8 Initiatives by NABARD**

The Department has aligned its activities with the agenda of financial inclusion of the excluded population as per the framework and scope described by the Report of the Committee on Financial Inclusion utilizing the Financial Inclusion Fund (FIF)<sup>lvii</sup>. The major current initiatives taken by NABARD supported from financial inclusion funds are creating financial literacy awareness camp, financial literacy awareness through street plays, Demo vans for financial literacy, FLCs of Rural Coop Banks / RRBs, BHIM Referral Scheme for Individuals, financial literacy initiatives booklet, NABARD jingles on Financial Literacy, Animation film on financial literacy etc. NABARD has also conducted financial literacy awareness programmes, which sought to bring on board the public on the Central Government's flagship financial schemes, such as the Prime Minister's Jan Dhan Yojana, Prime Minister's Jeevan Jyothi Bima Yojana, Prime Minister's Suraksha Bima Yojana and Atal Pension Yojana besides the various credit-linked schemes of the Government<sup>lviii</sup>. NABARD and UNDP has signed an agreement to promote financial literacy and financial inclusion in different parts of India. National Bank for Agriculture and Rural Development has a handbook available in their official website whereby the various real-life case studies and frequently asked questions are available in English and Hindi language<sup>lix</sup>.

### **3.3.9 Post Office**

Post office savings account is also a very helpful and needful scheme for people residing in rural parts of the country. Post office does multitasking such as letter posting, money order, courier and insurance. In the year 2014, Darjeeling head post office organized a Postal Life Insurance (PLI) fair, in Rangbul and it involved 100 participants. On 15th July 2018, it also took FL initiatives for Saving Bank Account

(SBA) in the branch office itself and the beneficiaries was taken by 50 participations. A post office savings account requires a minimum of Rs. 20 to open the account<sup>lx</sup> and even marginalized people can afford it. On March, 2018 this branch also initiated awareness programme concerning post office activities. It has also taken the initiative of implementing Core System Integration (CSI) training for employees that helps in automation document creation, commission calculation and pension bill generation. The CSI also helps in Cash Management, Asset Accounting, Budgeting, Inventory Management, Procurement and Liability Management in the post office. As of July 2018, the account holders in this post office were more than 30,000 and approx. 15,000 ATM was also issued to the account holders. Earlier pensions and provident funds of the tea garden employees was handled by different post offices of the region but at present the responsibility is handed over to the banks. This Head post office has also taken up schemes like Postal Life Insurance (PLI), Rural Postal Life Insurance (ROPLI) and various Pradhan Mantri Schemes etc. Basically PLI holder's preference was given to GOVT. employees. As of August, 2018, the total number of Postal Life Insurance (PLI holders) in this post office was 549 and the minimum amount of maturity and survival insurance benefits starts from Rs. 20,000 and it reaches to a maximum of Rs. 50,00,000 lakhs. As of August, 2018, total Rurl Postal Life Insurance (RPLI) holders in this branch were 1,370. Head Clerk of this Post Office has also opined that, post office has been making transactions from Kanyakumari to Srinagar and he rightly said that, if IFSC code is permitted to post offices around India, then post office can perform tasks better like others banks. The nationwide network of post office is much greater than that of various existing banks.

## **3.4 Initiatives by Schedule Commercial Banks**

### **3.4.1 Axis Bank**

#### **Background**

Axis Bank is the third largest private-sector bank in India offering a comprehensive suite of financial products. It has 3,703 branches, 13,814 ATMs, and nine international offices<sup>lxi</sup>.

#### **Financial Literacy Initiatives**

Axis Bank has undertaken a ‘Digi-Prayas’<sup>lxii</sup> initiative to disseminate financial literacy to 80,000 people across the nation. In April-May 2018, Axis Bank Darjeeling Branch (IFSC Code: UTIB0000346) has taken the beneficiaries account facilities initiative for minority board like Gurung board, Rai board etc. in the villages of Kalimpong and Doors. In the month of April-May 2018, this branch has also taken the initiative of providing financial assistance, medical facilities to economically backward patients and senior citizens. The staff of this branch has opined that, under such initiatives eleven patients has taken such beneficiaries from this bank. On Sep-Oct.2017, this bank has also taken the initiatives for free help medical checkup and 200 customers have taken the benefits. On September 2017, this bank launched open art exhibitions for customer’s kids in the same branch office and has delivered speeches on education loan facilities. As of June 2018, the total number of account holders was 13,000 in saving account, 6000 in current account and 12,900 ATM card holders.

### **3.4.2 Bank of Baroda**

#### **Background**

Bank of Baroda (BOB) is an Indian state-owned<sup>lxiii</sup> International banking and financial services company headquartered in Vadodara (earlier known as Baroda) in Gujarat, India. The network of BOB is 5538 branches in India and abroad, and 10441 ATMs as of July, 2017<sup>lxiv</sup>. The branches of Bank of Baroda in Darjeeling District are in Darjeeling (Branch Code: DARJEE), Sevoke Road (Branch Code: SEVOKE) and Siliguri (Branch Code: SILIGU)<sup>lxv</sup>.

#### **Financial Literacy Initiatives**

Bank of Baroda has opened Financial Literacy and Credit Counselling Centres (FLCCCs) as a CSR initiative<sup>lxvi</sup>. In the year 2016, Bank of Baroda (Branch Code: DARJEE), initiated scheme “*SAARTHEE*” in the villages of Bijanbari (2015), Sukhapokri (2016), Takling and Takdah (2018). In order to provide financial counselling services through the scheme “*SAARTHEE*”, there should be at least 20 members. On 28<sup>th</sup> July, 2018 this branch has also taken the financial literacy initiatives like Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jan Dhan Yojana (PMJDY and Atal Pension Yojana (APY). In the view of branch manager of BOB, under such initiatives 330 people has opened PMJDY, 12 people have opened PMSBY and the impact of Atal Pension Yojana (APY) was not too great. The limitation faced by this branch was requirement of maximum documentations for opening the account. According to the branch manager, people do not pay attention to the opening of PMJDY account because of the limitation for withdrawing the money. As of 2016, 1,000 of accounts were opened by Business

Correspondents (BCs) agent of this branch in the village of Takling, KIolbang, and Soreng.

### **3.4.3 Bandhan Bank**

#### **Background**

Bandhan Bank Ltd. is a financial services company and it is headquartered in Kolkata, West Bengal<sup>lxvii</sup>. Bandhan Bank, which started as a micro-finance company in 2001, received banking license from Reserve Bank of India in 2014<sup>lxviii</sup>. According to the Annual Report of this bank for the FY 2016-17, the Bank has 840 branches, 2,443 DSCs (Doorstep Services) and 282 ATMs and 12,004 Mini-ATMs (Hand-Held Devices)<sup>lxix</sup>. The branches of Bandhan bank under Darjeeling dsitric are located Bagdogra, Kawakhari, Shivmandir, Bhaktinagar, Kurseong, Darjeeling, Panitanki, Kalimpong and SF road<sup>lxx</sup>.

#### **Financial Literacy Initiatives**

Bandhan bank (Branch Code: 001507) in Darjeeling town was established on 14th Sep 2015. In the year 2008, this bank has taken financial literacy initiative like micro banking in the village of Ging, Bhutia busty, Sukhiapokhiria and Mirik. In March, 2018, this branch initiated programs for opening a bank account. Such initiatives were taken in the villages of Ging and Bijanbari. This branch has initiated Door Step Centre (DSC) facilities along with the bank by carrying SAWAP machine in the villages of Kakjora, Fulbari, and Ghoom. This branch has taken initiatives in different schools of Darjeeling for education loan facilities. Special facilities like Corporate Social Responsibilities (CSR) has been initiated by this bank for the senior citizens, differently abled and retired army officials in various places of Darjeeling district. In

the year 2018, this bank also initiated SHGs facilities for the EX-army. Under this initiative, approx.200 EX-Army members have taken the benefit of SHGs. In the year 2016, Bandhan bank initiated umbrella campaigning and distributed pamphlets in and around Chourastra. As of August, 2018, total number of account holders in such banks (Branch Code:001507) were 15,000, ATM holders were 14,925, loan holders were 11,500. From the month of April 2018, this Bank has also started medical insurance facilities. Under such initiatives as of July, 2018, 100 customers have grasped this facility. Branch manager has opined that the customers of hills are shy in nature and hesitate to ask the banking facilities as compared to the people in the plains. According to him there are a lot of financial product schemes facilities provided by the Govt. of India but the people are unaware of such facilities.

#### **3.4.4 Bank of India**

##### **Background**

Bank of India was established by a group of eminent businessmen from Mumbai on 7th September, 1906. Bank of India has over 5000 branches in India across all states and union territories including specialized branches. This Bank has been the first among the nationalized banks to establish a fully computerised branch and ATM facility at the Mahalaxmi Branch in Mumbai way back in 1989<sup>lxxi</sup>.

##### **Financial literacy Initiatives**

Bank of India started Credit Counseling Services under the aegis of the trust “ABHAY” in the year 2006<sup>lxxii</sup>. In the month of April 2018, Darjeeling branch (Branch Code 004290) took up the financial literacy campaign on Mudra Loan and same was advertised through local channel (Himali) in television. Under such



initiatives, 40 participants have taken the benefit of mudra loan. Similarly, in May-June 2018, this bank also started financial literacy initiatives for gold loan facilities but outreach was not as expected. The BOI (Branch Code 004290) Darjeeling in March 2018, initiated financial literacy programmes to link Aadhaar card to bank account, PAN and mobile number. In April-May, 2018, this bank initiated Digital Financial literacy campaign, Pradhan Mantri Jhan Dhan Yojana (PMJDY) in places like Lamahatta, Bijanbari, Badamtan, Som etc. Bank of India has also started many schemes for financial inclusion in the aforesaid area by providing Kisan Credit Card (KCC), BOI Shatabdi Krishi Vikas Card, Kisan Samadhan Card and Star Bhumiheen Kisan Card etc. According to the branch manager of BOI (Branch Code 004290), the total savings account holders were 10,086 with approximately 9,000 ATM holders, current account holders were 200, no frill account holders were 2000 and loan holders were also 2000. In January 2018, this bank also organized a programme on Kisan Credit Card in Lamahatta and 50 KCC cards were sanctioned after such initiatives were taken.

### **3.4.5 Canara Bank**

#### **Background**

Canara Bank is one of the largest and oldest public sector banks owned by the Government of India. Its headquarter is in Bengaluru. As of 30th October 2017, Canara bank had a network of 6639 branches and more than 10600 ATMs spread across all parts of India<sup>lxxiii</sup>. Canara Bank has four branches in Darjeeling District of West Bengal. These branches are in Darjeeling( IFSC Code: CNRB0003713) , Kalimpong (IFSC Code: CNRB0004411), Paschim Madati (IFSC Code: CNRB0006437) and Siliguri (IFSC Code: CNRB0008327)<sup>lxxiv</sup>.

## **Financial Literacy Initiatives**

Canara Bank has opened Financial Literacy and Credit Counselling Centres named as “AMULYA”<sup>lxxv</sup> in the states of West Bengal, Tamil Nadu, Karnataka, Haryana, Kerala, Uttar Pradesh etc. to impart knowledge to the rural people about financial planning, inculcate saving habits and to improve the understanding level of various financial products. Canara bank of Darjeeling ( IFSC Code: CNRB0003713) was established in the year 2011. In the month of November 2014, this branch has taken financial inclusion initiatives in the village of Takbar. In July 2018, this branch initiated Financial Literacy programmes within the branch itself. Under such initiatives 50 people participated in such programmes. In 2018, this branch has also taken initiatives for increasing the level of awareness in financial services like Atal Pension Yojana (APY) and mobile banking. Under this initiative 554 customers have taken the benefits of APY. As of August 2018, total number of account holders in this branch was 8,000, and in fixed deposit account (1,500), loan holders (100), credit card holders (100), mudra loan holders (50), APY holders (500) and RUPAY card holders (1,000).

Siliguri Canara bank (Branch code; 2432) which was established in 1995 has taken many financial literacy initiatives. In the year 2017 this branch has taken initiatives in opening bank account in a school named “Shardamuni” and the participation was that of 50 students. This branch has taken the initiative of Atal Pension Yojana (APY) and Pradhan mantri Suraksha Bima Yojana (PMSBY) within the branch itself. Till the date 30<sup>th</sup> August 2018, the total no. of APY holders was 56 and the PMABY holders was 50. This branch has also taken the initiatives for guiding BHIM app. Aadhar

setting and POS app. As of 30<sup>th</sup> august 2018, total no. of account holders was 13,520, total debit card holders were 6,488 and total loan holders were 400.

### **3.4.6 Central Cooperative Bank Ltd.**

#### **Background**

Central Cooperative Bank (CCB), was founded on the 28<sup>th</sup> of March 1991. It is a universal commercial bank in Sofia, Bulgaria, belonging to the financial structure of CCB Group. At first the Bulgarian National Bank Management Board issued a license to CCB for carrying out bank related activities in various territories of the country<sup>lxxvi</sup>. As of September 2016 the branch network of CCB consisted of 47 branches, 211 bank representative offices, 48 outlets, and 01 international branch in Cyprus<sup>lxxvii</sup>. As of 2018, there are few central cooperative bank branches in Darjeeling District: Darjeeling District Central Cooperative Bank Ltd., Mirik Branch, Mungpoo Branch, Naxalbari branch, Siliguri day and evening branch.

#### **Financial Literacy Initiatives**

On the 11<sup>th</sup> and 12<sup>th</sup> of January 2017, Darjeeling district Cooperative bank has taken the initiative of DFLAP (Digital Financial Literacy Awareness Programmes) in the villages of Takdha, Lapda, Maneydara, and Dabaipani. In March 2017, the same programme was initiated in Darjeeling, Hindi High School. As of 26th-July-18, total numbers of account holders are 7,000 the numbers of ATM Debit card holders are comparatively less than that of total account holders. In this regard branch manager rightly opined that the reason behind low number of ATM debit card holder is the problem of signature and thumb impression in aged citizens. All together in Takdah, there are 8 Primary Agricultural Credit Society (PACS).

### **3.4.7 Corporation Bank of Darjeeling**

#### **Background**

Corporation Bank is a public-sector banking company in India. Its headquarter is in Mangalore, India. Presently, corporation bank<sup>lxxviii</sup> has a network of 2,440 fully automated CBS branches, 3,040 ATMs, and 4,724 branchless banking units across the country. Corporation Bank of Darjeeling (branch code: 000883) was established in February 2014.

#### **Financial Literacy Initiatives**

In the year 2017, this Bank initiated financial literacy and inclusion initiatives concerning Pradhan Mantri Jan Dhan Yojana (PMJDY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) in five tea Gardens namely Ging, Badamtam, Phubshering, Singtam and Lebong. Under these initiatives, nearly 3000 PMJDY accounts were opened including ATM facilities. This bank has also initiated Digital Financial literacy programs in places like Singtam, Lebong, Phubshering and Ging. In March, 2017 this bank organised Campaigns for Kisan Credit Card (KCC) facilities, for agricultural workers in Goke constituency and during these campaigns, this branch provided almost 140 KCC to farmers. KCC helps farmers to take Rs. 50,000 as the minimum amount of Loan. Such KCC will be closed automatically after 5 years and to reactivate this card, they have to go for renewal in the nearest branch. In the year 2014 this bank has also provided RUPAY debit card facilities in Goke II constituency. This branch has provided financial assistance facilities for the Corp elite and Corp delight class people. Corp delight group belongs to salaried classes and urban areas. According to the branch manager, Corp elite class's customers gets loan amounting

to less than 75, 000 and corp delight gets loan amounting to more than 75,000. Branch Manager has also opined that Crop elite customers used to get 5,00,000 accidental covered and Crop delight customers used to get 10,00000 accidental covered. This bank has also taken initiatives for loan scheme facilities for defense people (Corp delight customers). In the year 2015, this bank has also initiated ‘make in India’ campaign and provided RUPAY card to the existing customers. As of date 15th-July-2018, the total account holder in this branch was 13,000 including savings account of 11,500 and the current account is 1000. They have also provided loan facilities to 90 customers of this branch.

#### **3.4.8 Dena Bank**

Dena Bank was founded in 1938 and this bank was nationalized in the year 1969. The headquarter of Dena bank is in Mumbai and this bank has 1874 branches<sup>lxxxix</sup> across India. According to the guidelines of RBI, Dena Bank has set up Credit Counselling Centres christened as “Dena Mitra”<sup>lxxx</sup>. Silguri Dena bank(Branch Code:911147)was opened in April 2000. This bank has taken Financial Literacy initiatives such as Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jan Dhan Yojana (PMJDY) and Atal Pension Yojana (APY). As of December 2018, the total no. of account holders in this branch was 9,221, savings account holder was 7,507, and fixed deposit holder was 1,297 and Loan account holder was 116.

#### **3.4.9 HDFC**

##### **Background**

HDFC Bank Limited is an Indian private sector banking and financial services company. It’s headquarter is in Mumbai, Maharashtra. HDFC Bank is India’s largest private sector lender by assets. Different branches in Darjeeling District are located in

Darjeeling (Branch Code: 000454), Kalimpong (Branch Code: 002212), Naya Bazar in Siliguri (Branch Code: 000528) and Siliguri (Branch Code: 000151 )

### **Financial Literacy Initiatives**

According to the staff of HDFC bank ,Darjeeling branch(Branch Code: 000454), in October 2015, the branch has taken Financial Literacy initiatives like Self Help Group(SHG) and Joint Liability Group(JLG) in various villages like Singmari, Lebung, Bhutiabusty, Ghoom, 3<sup>rd</sup> Mile, Chuntong, Jorebunglow etc. Under the SHGs initiatives, the major targeted group was that of married women. As of August 2018, in this branch, there were 200 SHGs and the branch manager has also opined that; before the agitation (strike) of 104 days for Gorkhaland (between May to September, 2018), this branch has given Rs. 20,000 to each member of 200 SHGs. The staffs of this branch said that the agitation of 104 days resulted in 70 to 72% of Non Performing Assets (NPAs) in SHG and presently it is not willing to resume. “**highmark**” is a software used for measuring credit score in HDFC. This branch has also given training to different entrepreneurs in regard to the benefits of SHG within the branch itself.

### **3.4.10 Indian Overseas Bank**

#### **Background**

Indian Overseas Bank (IOB) is a major public sector bank and it is based in Chennai (Madras). As of 31<sup>st</sup> October 2017<sup>lxxxix</sup> this bank has 3400 domestic branches, including 1,150 branches in Tamil Nadu, 3 extension counters, and eight branches and offices overseas. As of July 2018, in Darjeeling district there are five branches of IOB viz. Darjeeling (Branch Code: 003295), Station Feeder Road (Branch Code: 003251),

Kalimpong (Branch Code: 003064), Kawakhali (Branch Code: 003065), Raiganj (Branch Code: 002230).

### **Financial Literacy Initiatives**

Darjeeling (Branch Code: 003295) was established in 2013. In the year 2014, this branch has taken various initiatives within the branch for awareness in various facilities provided by the Central govt. such as Direct Fund Transfer (DFT), Gas Subsidiary etc. During demonetization (2016), this bank has played a significant role in opening accounts. On 23rd July 2013, this branch has also taken the initiative of distributing pamphlets in various places with regard to basic savings account, zero balance account and inbuilt insurance facilities. As of May 2018, in this bank, the total saving account holders were 7,000, fixed deposit account holders (527), current account holders (200), ATM holders (5,050) including PMJDY and total credit card holder (15). The staff of IOB has said that it is a very challenging task for the bank to handle and maintain minimum balance account of clients. He has also rightly said that, the major limitation for digital banking in India is poor network problems.

#### **3.4.11 State Bank of India**

State Bank of India (SBI) is one of the oldest public sector bank in the country. The company has ranked 217<sup>th</sup> on the Fortune Global 500 list of the world's biggest corporations as of 2017<sup>lxxxii</sup>. SBI has 18,354 branches in India<sup>lxxxiii</sup>. In its 60<sup>th</sup> foundation day, this bank has introduced six digital stores in around five cities of India, as part of its initiative called sbi INTOUCH. SBI has also taken a number of financial literacy and inclusion initiatives in Darjeeling district. As of June, 2018, there are 32 SBI branches in Darjeeling district<sup>lxxxiv</sup>. During the year 2018, SBI head

branch of Darjeeling district (Branch code: 000063) has organized financial literacy programmes in various rural areas like Relling, Samsui, Bijanbari, Basbotea, Takdah, Mungpoo. Presently in Darjeeling head branch (Branch code: 000063), there are eight business correspondents (BCs) branches in different targeted rural areas like Bijanbari, Basbotea, Mungpoo and Takdaha etc. BCs agents work with Aadhar Enable Payment System (AEPS). On 5<sup>th</sup> June, 2018, SBI (Branch code: 000063) celebrated the World Environment Day in Goke constituency and delivered speeches on opening of basic account and loan facilities. In the month of Feb 2017, SBI has also taken initiatives like Pradhan Mantri Jan DhanYojana (PMJDY) in Goke and Sosbotey and fifty people in these areas have attended the programmes. As of 26-July-2018, the total number of account holders in Darjeeling head branch (Branch code: 000063) was 1,42,346 (Savings account) and the number of current account holders in the aforesaid date was 1,050. The total number of customers who have availed home loan facilities from this branch till date 26-07-2018 is: Darjeeling Sadar (246), Kurseong (158), Kalimpong (333), Mirik (48), Bijanbari (19) and Birpara (21). Similarly customers holding Kishan Credit Card (KCC) is: Darjeeling (356), Kalimpong (73) and Kurseong (899). According to the interview of a BC agent of Goke constituency, within a time period of one year they had helped to open 156 savings accounts in Goke constituency. He has also said that BCs in rural areas work regularly, without taking any leave. BC agents have been playing a significant role in rural areas by catering to the needs of customers at times of ill health. BCs agents also help such customers by visiting them and enabling them to get their money through its system. SBI Siliguri branch has taken initiatives for financial literacy in Siliguri Hindi High School regarding opening of accounts, deposit habits and approaching education loan etc. The total participation was 150 students and after such initiative 20 students



opened savings account. In the year 2018, this branch has also taken the initiatives of Atal Pension Yojana (APY), Pradhan Mantri Bima Surakcha Yojana (PMBSY), Sukha Samargya Yojana (SSY) schemes and Mudra Loan, within the branch itself.

#### **3.4. 12 Sahara India**

Sahara India, financial services in Darjeeling district was started in the year 1978. In the month of July, 2018, this financial service has taken financial literacy initiatives like “para banking” facilities for the customers. The maximum maturity time period of this para banking deposit scheme facility is 15 years. In para banking the customers can deposit Rs. 20 per day or Rs. 200 per month. In the year 2012, this financial institution has also conducted financial awareness programs concerning various deposit schemes, in “Chourastha”. This financial service has also started digital financial literacy campaign. This institution has provided financial support facilities for housing, mass communications, print media and medical facilities etc. As on July, 2018, the total number of account holders in this institutions was 10,000 including 2,200 as savings account holder and total loan holders was 2,000.

#### **3.4. 13 United Bank of India**

##### **Background**

The UBI branches in Darjeeling district are located in Darjeeling H.D. Lama Road (Branch Code: DRJ020), Sevoke Road (Branch Code: SVR021), Mahabirsthan Station Feeder Road (Branch Code: MBTC44), Siliguri (Branch Code: SGR220) North Bengal Co-operative Hawkers Centre Bldg., 1st Floor, Hill Cart Road, Pradhan Nagar, (Branch Code: XNBC98), Subhaspally (Branch Code: SUPA74), Pradhan Nagar (Branch Code: PRND39)

## **Financial Literacy Initiatives**

On 12<sup>th</sup> April, 2017 UBI branch of Darjeeling has initiated financial literacy awareness programs concerning various banking financial product facilities including micro finance in the village (Relling). Under the guidance of UBI, Business Correspondents (BCs) agents has been playing a significant role in spreading awareness on existing Pradhan Mantri schemes like PMJDY, PMBY, APY etc. In places like Manjura and Relling. As of 12th-April 2017, the total savings account holders of UBI Darjeeling (Branch Code: DRJ020) were 18,798 , fixed deposit account holders were 1,562 and loan holders were 549.

### **3.4.14 UCO bank**

#### **Background**

UCO Bank, formerly known as United Commercial Bank was established in 1943 in Kolkata. As of 30th March 2017 the bank had 4,000 plus service units, 49 zonal offices spread all over India. UCO Bank has launched various special banking products like Basic Saving Bank Deposit Account, UCO Jeevika (Saving Account inbuilt OD facility). As of 28th July 2018, the branches of UCO in Darjeeling district are located in Darjeeling (Branch Code: 000900), North Point Singamari (Branch Code: 002052) and Shibmandir (Branch Code: 002685).

#### **Financial Literacy Initiatives**

Darjeeling UCO bank branch (Branch Code:000900) was set up on 17th Dec 1976. In the month of November, 2016, this branch has taken initiatives such as Pradhan Mantri Jan Dhan Yojana (PMJDY) in; Chongton, Takbar, Rishihat tea estates. Under this initiative, Chongton tea garden has opened 150 accounts, Takbar (50) and

Risheehat (300). In the year 2017, this branch has also taken the initiatives of digital financial literacy programs basically concerning mobile banking facilities in places like Alubari, silbari etc. As of July 2018, saving account holders in this bank were 10,555 and current account holders (275) and fixed account holders (1,456). The credit card holders in this branch during the aforesaid time were 417 and loan holders were 243.

### **3.4.15 Union Bank of India**

#### **Background**

Union Bank of India is considered as one of the largest public sector banks of India. As of September 2016, UBI has 4214 branches and four of these are overseas in Hong Kong, Dubai International Financial Centre, Antwerp, and Sydney (Australia). On 11th November 1919, Union Bank of India (Union Bank) was registered as a limited company in Mumbai and was inaugurated by Mahatma Gandhi.

#### **Financial Literacy Initiatives**

The success of financial inclusion depends on the growth of financial literacy of an individual. Union Bank has taken the Financial Inclusion initiatives to cover 18,396 villages and 2,581 Urban Wards of the country. Union bank has designed Union Mitr to facilitate financial education for the rural population. Union Bank of India has set up “Village Knowledge Centres”<sup>lxxxv</sup> for providing instant access to farmers in the field of agriculture, starting from crop production to marketing. UBI branch of Darjeeling District (Branch Code: UBIN0540366), was established in 1982. In March, 2018 this branch started a financial literacy program in Sonada Degree College, and delivered a speech on retail banking, lending speech, housing loan, car loan, personal

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loan etc. In the year 2017, this branch has also initiated a financial literacy program in Maharani School for opening savings account. Under this initiative, 300 students opened accounts. This branch has also taken initiatives in Kolbong and delivered the speech in terms of loan facilities. On 08th Feb, 2018, this branch has started providing loan facilities to weaker sections of farmers on the basis of their properties (land). On 19th July, 2018 this branch has also taken the initiative of mutual funds within the branch itself. The total number of account holders in this bank till date 28th July 2018 was 21,654 and savings account holders were 18,084 and loan holders in this bank were 400.

### **3.5 Conclusion**

It is a great challenge for a developing nation like India to include all the financially excluded people in financial inclusion. Developing countries like India have taken many financial literacy initiatives to include the financially excluded people. It is quite clear from the above discussion that all the agencies have been taking major initiatives towards financial inclusion. OECD, World Bank has also taken great initiatives for financial literacy across the globe. In the Indian context all the regulatory agencies like RBI, IRDA and SBI including National Central for Financial Education (NCFE) have been taking major financial literacy initiatives. Besides these regulatory agencies, many public and private sector banks have also been contributing in major financial literacy initiatives. Post Office has also been taking major initiatives towards including people in Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI). It makes it more clear that such indicators are a positive sign of India's transformation from a developing nation to developed nation.

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## CHAPTER 4

### ANALYSIS AND RESULTS: FINANCIAL PRODUCTS

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#### 4.1 Introduction

This chapter describes and explains in detail the analysis and interpretation of the data collected from the household respondents in Darjeeling district concerning to the awareness level of the various financial products. This chapter is also designed to understand and examine investment perception and preference of households in Darjeeling district. The financial products are divided into five different groups namely; banking financial products, Govt. Sponsored financial products, Social security's financial products, Capital Market financial products and other financial products. The study begins with the summary table regarding level of awareness of various financial products and it is classified with the help of socio-economic factors by using the cross tables and interpret the amount of influence in each category with the help of percentage analysis and followed by using the Pearson Chi square ( $\chi^2$ ) test to measure the difference of financial literacy among the various socio-economic groups. The hypotheses have been tested to find out the relationship between investment preference and socio-economic factors. The factors affecting the investment decision have also been discussed. The respondents were asked in their most popular source of information for choosing their investment preferences for the various financial products. Finally, the respondents were also asked how often do respondents compare the terms and conditions for provision of financial services of various companies before taking decisions of savings and investment in various financial product services.

## 4.2 Awareness Regarding Financial Products

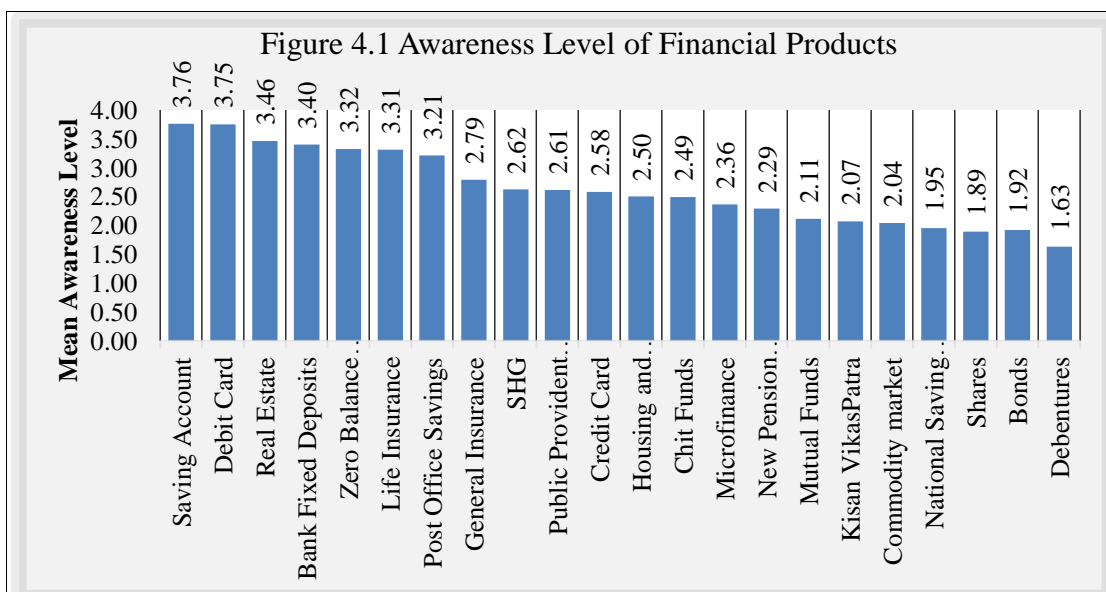
The awareness levels of the various financial products available in the markets as responded by the respondents are measured in a 5 point Likert Scale, assigning 1 to 'very low' awareness level and 5 to 'very high' awareness level. From the responses given by the respondents, the weighted mean for each financial product was measured (Table 4.1). Weights are given in progressive order of 5,4,3,2 and 1 to various responses of respondents from very high to very low. Frequency level of awareness for various financial products is multiplied with the respective weight to get the weighted average score. In order to get the mean score, the summated weighted average score is divided by the total frequency (samples). Based on the weighted mean score, the rank for each financial product has been given. From the analysis of the Table 4.1 and Figure 4.1, it can be observed that the Saving accounts have the highest awareness level followed by the Debit Card, Real Estate, Bank Fixed Deposits, Life Insurance, Zero Balance Account, Post Office Saving Account, General Insurance, Self Help Groups (SHGs), Public Provident Fund, Credit Card, Housing and Consumer Loan, Chit Funds, Micro Finance, New Pension Scheme, Mutual Funds, Kisan Vikas Patra (KVP), Commodity Market, National Saving Certificate(NSC), Bonds, Shares and Debentures. Thus, it can be clearly seen that respondents are more aware of Low risk financial products than the high risk financial products. It makes more clear that the low risk financial products are risk averse and it is related to the traditional and the safe financial products whereas the awareness level for the high risk financial products are new age financial products. The awareness of capital market financial instruments like shares, bonds or debentures, commodities markets and mutual funds among the households is lesser as compared to other financial products.

**Table 4.1 Awareness Level of Financial Products**

Financial Products		Very Low 1	Low 2	Neutral 3	High 4	Very High 5	Mean	Rank
		Count	Count	Count	Count	Count		
Banking Services	Saving Account	11 (2)	45 (8.50)	150 (28.30)	179 (33.77)	146 (27.54)	3.76	1
	Bank Fixed Deposits	69 (13)	73 (13.77)	95 (17.92)	162 (30.5)	131 (24.71)	3.40	4
	Zero Balance Account	68 (12.83)	81 (15.28)	110 (20.75)	162 (30.5)	110 (20.75)	3.32	6
	Credit Card	189 (35.66)	86 (16.22)	86 (16.22)	95 (17.92)	73 (13.77)	2.58	11
	Debit Card	48 (9)	42 (7.92)	78 (14.71)	184 (34.72)	178 (33.58)	3.75	2
	Housing and Consumer Loan etc.	134 (25.28)	183 (34.52)	70 (13.20)	103 (19.43)	40 (7.54)	2.50	12
Government Schemes	Public Provident Fund	122 (23)	144 (27.16)	130 (24.52)	87 (16.4)	46 (8.67)	2.61	10
	New Pension schemes	191 (36)	123 (23.20)	121 (22.83)	65 (12.26)	30 (5.66)	2.28	15
	KisanVikasPatra	244 (46)	115 (21.69)	87 (16.4)	58 (10.94)	25 (4.71)	2.06	17
	National Saving Certificate	268 (50.5)	99 (18.67)	101 (19)	49 (9.24)	13 (2.45)	1.94	19
	Post Office Savings	64 (12)	93 (17.5)	151 (28.5)	117 (22)	106 (20)	3.21	7
Social Security Schemes	Life Insurance	66 (12.45)	58 (11)	160 (30.18)	129 (24.33)	117 (22)	3.31	5
	General Insurance	114 (21.5)	111 (21)	119 (22.45)	146 (27.5)	40 (7.5)	2.78	8
	SHG	142 (26.79)	129 (24.33)	105 (19.81)	98 (18.5)	57 (10.75)	2.62	9
	Microfinance	176 (33.20)	133 (25)	122 (23)	56 (10.5)	44 (8.3)	2.36	14
Capital Market	Shares	262 (49.43)	125 (23.5)	95 (18)	32 (6)	16 (3)	1.89	21
	Bonds	246 (46.41)	143 (26.9)	95 (18)	27 (5)	19 (3.58)	1.92	20
	Mutual Funds	231 (43.58)	102 (19.24)	135 (25.47)	36 (6.79)	27 (5)	2.11	16
	Debentures	325 (61.32)	130 (24.5)	33 (6.22)	32 (6)	11 (2)	1.63	22
	Commodity market	257 (48.5)	122 (23)	66 (12.45)	41 (7.73)	44 (8.30)	2.04	18
Other Financial Products	Chit Funds	164 (30.94)	144 (27.16)	90 (17)	60 (11.32)	72 (13.5)	2.49	13
	Real Estate	24 (4.52)	91 (17.16)	149 (28.1)	139 (26.22)	126 (23.77)	3.46	3

Source: Compiled from the Field Survey, 2016-17

Note: figure in the parenthesis indicate percentages of the total respondent.



Source: Compiled from the Field Survey, 2016-17

### 4.3 Investment Preferences

Investment means a current commitment of funds for a period of time towards one's future life. The investors will make their investments in various financial instruments according to their interest and capacity. The respondents have been asked to provide information about various financial products in which they have invested their money in recent years. From the given Table 4.2, thus, it can be clearly seen that respondents are more aware of Low risk financial products than the high risk financial products. It makes more clear that the low risk financial products are risk averse and it is related to the traditional and the safe financial products whereas the awareness level for the high risk financial products are new age financial products. The awareness of capital market financial instruments like shares, bonds or debentures, commodities markets and mutual funds among the households is lesser as compared to other financial products.

From the given responses, the majority of household respondents (94.34%) preferred more in the savings accounts and it has been seen that the respondents have low

preferences in the new financial products of capital markets; people are not much aware of such type of financial products' features and they are losing the high returns good opportunities facilities. Savings bank accounts are being preferred because of their flexibility in terms of frequency and allowed deposit size (Moulick, 2008). The important reasons for the popularity of LIC are doorstep delivery and simplified application processes using agents/intermediaries. Table 4.2 and Figure 4.2, results show that the 150 respondents (28.30%) preferred for public provident fund and it can be perceived that the most of the people less preferred for their retirements because of low liquidity and this is not a healthy sign. It is a great challenge for a developing nation like India to include all the financially excluded people in financial inclusion. With the great initiatives taken by the Govt. of India for opening zero balance account like Pradhan Mantri Jan DhanYojana (PMJDY) in the year 2014, result i.e. 250 households (47.17%) preferred in the zero balance accounts. It is the good signal for the developing country like India that the marginalized people are slightly moving forward towards opening the bank accounts. In the given Table 4.2, it can be clearly seen that the investments in chit funds showed as 17.92% and such type of the preference are mostly high comparing to other nature of financial products given in the (Table 4.2) and this may be the reason of getting the high returns and the number of the intermediaries/brokers are engaged in the services to spread more awareness level to the people and have been able to successfully promote their products with attractive interest rates or higher returns. So, it can be concluded that the low level of investments in the products like share, bonds, debentures and commodity markets etc. is not because of the unfamiliarity of new products in the markets: but, if more awareness level can be spread like the initiatives taken by the

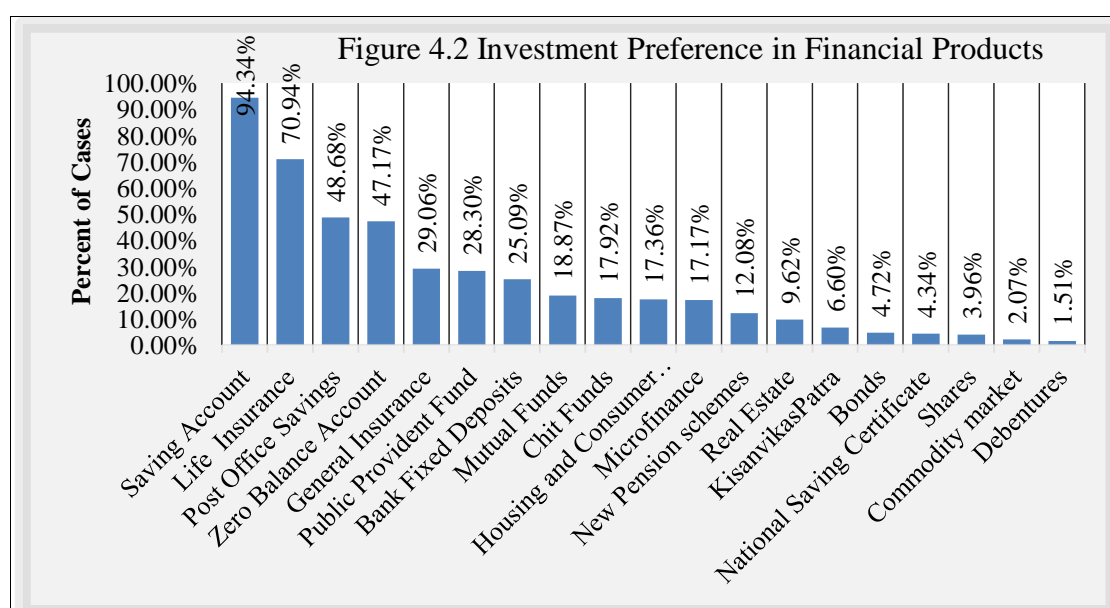
chit funds schemes, then it could be more preferred by the respondents towards other new type of the financial products.

**Table 4.2 Investment Preference in Financial Products**

Financial Products		Frequency	Percent of cases
<b>Banking Services</b>	Saving Account	500	94.34
	Bank Fixed Deposits	133	25.09
	Zero Balance Account	250	47.17
	Housing and Consumer Loan etc.	92	17.36
<b>Government Schemes</b>	Public Provident Fund	150	28.30
	New Pension schemes	64	12.08
	KisanvikasPatra	35	6.60
	National Saving Certificate	23	4.34
	Post Office Savings	258	48.68
<b>Social Security Schemes</b>	Life Insurance	376	70.94
	General Insurance	154	29.06
	Microfinance	91	17.17
<b>Capital Markets</b>	Shares	21	3.96
	Bonds	25	4.72
	Mutual Funds	100	18.87
	Debentures	8	1.51
	Commodity market	11	2.07
<b>Other Financial Products</b>	Chit Funds	95	17.92
	Real Estate	51	9.62
<b>Total Respondents</b>		<b>530</b>	

Source: Compiled from the Field Survey,2016-17

Note: One respondent can have more than one avenues of investment preference in financial products at a time.



Source: Compiled from the Field Survey,2016-17

#### **4.4 Relationship between Investment Preference and Socio-Economic Factors**

In order to know the relationship between investment preferences of households based on socio-economic factors, cross tabulation of investment preferences with various socio-economic factors has been carried out and results were analyzed. For this analysis, this chapter has focused on key Socio-Economic information: gender, family status, age, marital status, education level, work status, caste, language, region and income. For this purpose, the following null (Ho) and alternative (Ha) hypotheses have been proposed. The hypotheses have been tested with the Pearson's Chi-square test at 5 % significance level.

Ho<sub>1</sub>: Investment preference for various financial Products is independent of gender.

Ho<sub>2</sub>: Investment Preference of various financial Products is independent of family status.

Ho<sub>3</sub>: Investment preference for various financial Products is independent of age.

Ho<sub>4</sub>: Investment Preference of various financial Products is independent of marital status.

Ho<sub>5</sub>: Investment Preference of various financial Products is independent of education.

Ho<sub>6</sub>: Investment Preference of various financial Products is independent of nature of employment.

Ho<sub>7</sub>: Investment Preference of various financial Products is independent of caste.

Ho<sub>8</sub>: Investment Preference of various financial Products is independent of language.

Ho<sub>9</sub>: Investment Preference of various financial Products is independent of geographic region (rural and urban).

Ho<sub>10</sub>: Investment Preference of various financial Products is independent of income.

#### 4.4.1 Cross Tabulation between Gender and Investment Preferences

Table 4.3 reveals that preference for banking services products such as savings account, housing and consumer loan are almost same for male and female respondents. The Government schemes products like New Pension showed high preference by the male respondents (13.76%) as compared to the female respondents (7.58%). Male respondents (51.17%) exhibited more preference for post office savings as compared to female respondents (42.07%). This might be the reason that most of the accounts of the 86 tea garden labourers are in the post office. For the social security's schemes products such as life and general insurance are almost same for male and female respondents. For micro finance, male respondents (16.10%) showed less preference as comparatively to the female respondents (20%). Highest preference for capital markets schemes products was shown by male respondents as compared to the female respondents. It is inferred that males go for the high risk instruments and it points out to the fact that males are risk takers and females are risk averse. Females believed that managing money affected their future more than males, but males felt more confident making money decisions (Danes & Haberman, 2007)<sup>lxxxvi</sup>

Females usually choose the more conservative portfolios and male normally choose to have more aggressive portfolios. The preferences for chit funds, female respondents (23.45%) showed comparatively higher than the male respondents (15.84%). The value of Chi- square ( $\chi^2$ ) came out to be 18.702 at 18 degrees of freedom (Table 4.4), which is insignificant at 5% level. Thus  $H_0$  (null hypothesis) of Hypothesis 1- Investment preference for various financial products is independent of gender gets accepted and it can be said that gender has no significant effect on investment preferences for various financial products.



**Table 4.3 Cross Tabulation between Gender and Investment Preference**

Financial Products		Gender		Total
		Male	Female	
		Frequency	Frequency	
Banking Services	Saving Account	363 (94.28)	137 (94.48)	500
	Bank Fixed Deposits	93 (24.155)	40 (27.59)	133
	Zero Balance Account	195 (50.65)	55 (37.93)	250
	Housing and Consumer Loan etc.	66 (17.14)	26 (17.93)	92
Government Schemes	Public Provident Fund	113 (29.35)	37 (25.52)	150
	New Pension schemes	53 (13.76)	11 (7.58)	64
	KisanvikasPatra	24 (6.23)	11 (7.58)	35
	National Saving Certificate	18 (4.67)	5 (3.44)	23
	Post Office Savings	197 (51.17)	61 (42.07)	258
Social Security Schemes	Life Insurance	268 (69.61)	108 (74.48)	376
	General Insurance	111 (28.83)	43 (29.66)	154
	Microfinance	62 (16.10)	29 (20)	91
Capital Market	Shares	16 (4.16)	5 (3.45)	21
	Bonds	20 (5.19)	5 (3.44)	25
	Mutual Funds	71 (18.44)	29 (19.98)	100
	Debentures	6 (1.55)	2 (1.38)	8
	Commodity market	9 (2.34)	2 (1.38)	11
Other Financial Products	Chit Funds	61 (15.84)	34 (23.45)	95
	Real Estate	42 (10.90)	9 (6.20)	51
<b>Total Respondents</b>		<b>385</b>	<b>145</b>	<b>2437</b>

*Source: Compiled from the Field Survey, 2016-17*

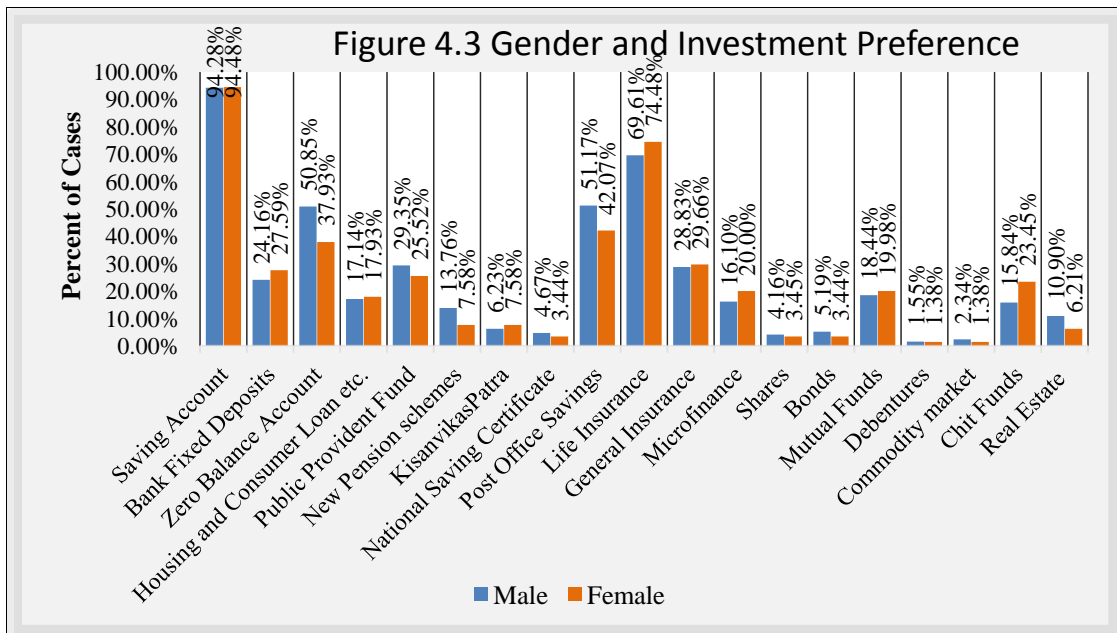
*Note: figure in the parenthesis indicate percentages of the total respondent.*

*One respondent can have more than one avenues of investment preference in financial products at a time.*

**Table 4.4 Result of the Chi-Square Test:**

	Value	df	Asymp. Sig (2-sided)
Pearson Chi-Square	18.702	18	0.41
N of Valid Cases	2437		

*Source: Computed by the author*



Source: Compiled from the Field Survey, 2016-17

#### 4.4.2 Cross Tabulation between Family Status and Investment Preference

Table 4.5 depicts that the preference for banking deposits such as savings account was almost same for respondents across all joint and nuclear family status. The housing and consumer loan are preferred quite higher (17.77%) by the nuclear family as compared to the joint family. The Govt. Schemes products like New Pension Scheme, Kisan Vikas Patra and National Saving Certificate (NSCs), the joint family showed the highest preferences. Preference for social security's schemes products, the nuclear family responses was partially more than the joint family. In term of the capital market schemes products, the nuclear family showed more preferences than the joint families. Higher Preference for chit funds investment preference, the nuclear family respondents (20.20%) showed greater than the joint family respondents (14.14%). For Real estate's financial instrument, the joint family respondents (10.60%) preference are quite higher than the nuclear family respondents (9.04%). The calculated value of Pearson Chi-square ( $\chi^2$ ) from the (Table 4.6) is 32.965 at 18 degrees of freedom (Table 4.6), which is significant at 5% level. Therefore,  $H_0$  (null hypothesis)

of Hypothesis 2- Investment preference for various financial instruments is independent of family status gets rejected and it can be concluded that family status has a significant effect on investment preferences for various financial products.

**Table 4.5 Cross Tabulation between family status and Investment Preference**

Financial Products		Family Status		Total
		Joint	Nuclear	
		Frequency	Frequency	
Banking Services	Saving Account	187 (94.44)	313 (94.27)	500
	Bank Fixed Deposits	32 (16.16)	101 (30.42)	133
	Zero Balance Account	92 (46.46)	158 (47.59)	250
	Housing and Consumer Loan etc.	33 (16.66)	59 (17.77)	92
Government Schemes	Public Provident Fund	54 (27.27)	96 (28.91)	150
	New Pension schemes	25 (12.62)	39 (11.74)	64
	KisanvikasPatra	19 (9.59)	16 (4.81)	35
	National Saving Certificate	10 (5)	13 (3.91)	23
	Post Office Savings	79 (39.89)	179 (53.92)	258
Social Security Schemes	Life Insurance	125 (63.13)	251 (75.60)	376
	General Insurance	51 (25.75)	103 (31)	154
	Microfinance	24 (12.12)	67 (20.18)	91
Capital Market	Shares	6 (3.03)	15 (4.52)	21
	Bonds	8 (4)	17 (5.12)	25
	Mutual Funds	25 (12.63)	75 (22.59)	100
	Debentures	0 (0.00)	8 (2.41)	8
	Commodity market	2 (1.01)	9 (2.71)	11
Other Financial Products	Chit Funds	28 (14.14)	67 (20.20)	95
	Real Estate	21 (10.60)	30 (9.04)	51
<b>Total Respondents</b>		<b>198</b>	<b>332</b>	<b>2437</b>

*Source: Compiled from the Field Survey, 2016-17*

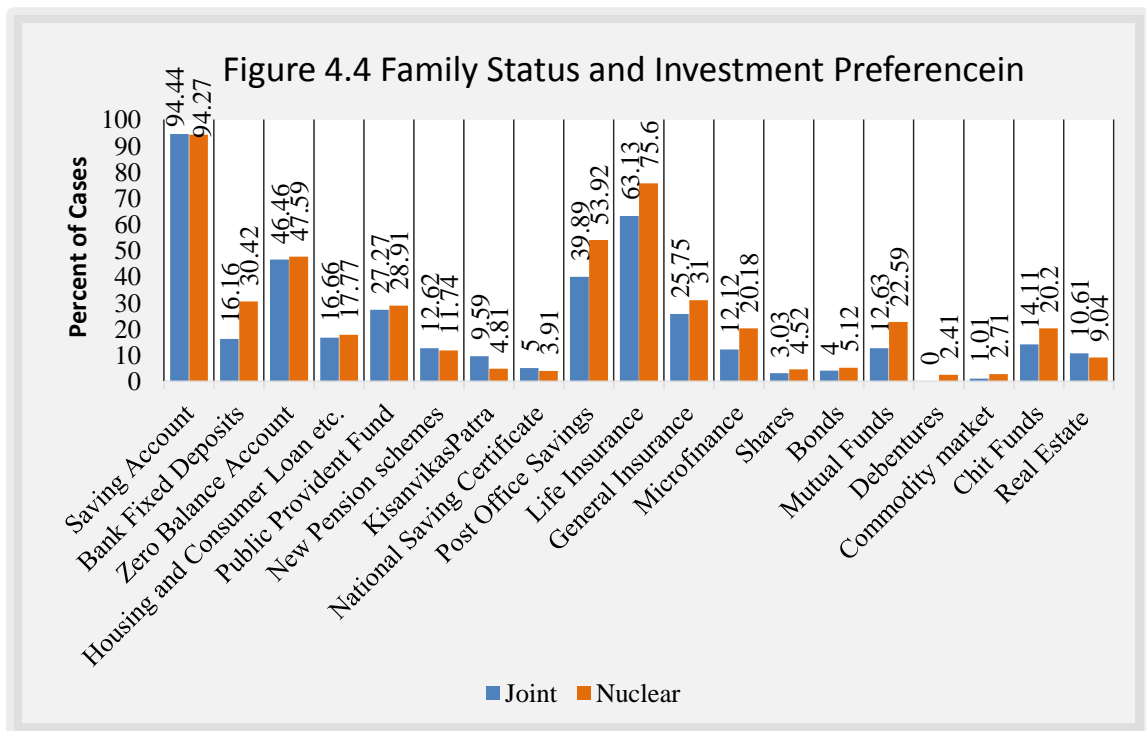
*Note: figure in the parenthesis indicate percentages of the total respondent.*

*One respondent can have more than one avenues of investment preference in financial products at a time.*

**Table 4.6 Result of the Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
<b>Pearson Chi-Square</b>	32.965	18	.0168
<b>N of Valid Cases</b>	2437		

Source: Computed by the author



Source: Compiled from the Field Survey, 2016-17

#### 4.4.3 Cross Tabulation between Age and Investment Preference

From the analysis of the Table 4.7 and Figure 4.8, it was observed that all age groups respondents showed almost same preference for savings account, ranges from 87.09% to 96.92%. Fixed Deposit products showed high preferences in the age group 45-59 years' respondents (31.54%). The highest preference for zero balanced account was shown by those in the age group of 35-44 years' respondents (54.50%) and the least preference was shown by those in the age group 18-24 years. For public provident fund, the high preferences are shown by those in the age group of 25-34 years. High preference for new pension schemes and Kisan Vikas Patra (KVP), housing and

consumer loans and real estates was shown by the respondents of the age group of 60 years and more. The respondents who fall in the age group of more than 25 years gave almost same preferences for life insurance products. High Preference for the shares and bonds was shown by those in the age group of 35-44 years. Younger respondents in the age group of 18-34 years showed comparatively more preference for mutual funds as well as debentures. It was also found that the preference for commodity market was much less as compared to other financial products. Preference for chit funds was almost same for respondents of all age groups except those in the age group of 18-24years. The Chi- square ( $\chi^2$ ) value is 133.76 at 72 degrees of freedom (Table 4.8), which is significant at 5% level. Table 4.8 reveals that Ho of Hypothesis 3- Investment preference for various financial instruments is independent of Age gets rejected and it can be said that investment preferences for various financial products have significant effects on age.

**Table 4.7 Cross Tabulation between Age and Investment Preference**

Financial Products		Age (Years)					Total
		18-24	25-34	35-44	45-59	More than 60	
		Frequency	Frequency	Frequency	Frequency	Frequency	
Banking Services	Saving Account	27 (87.09)	126 (95.45)	176 (93.12)	126 (96.92)	45 (93.75)	500
	Bank Fixed Deposits	6 (19.35)	20 (15.15)	53 (28.04)	41 (31.54)	13 (27.08)	133
	Zero Balance Account	9 (29.03)	58 (43.94)	103 (54.50)	61 (46.92)	19 (39.58)	250
	Housing and Consumer Loan etc.	2 (6.45)	22 (16.67)	25 (13.23)	31 (23.85)	12 (25.00)	92
Government Schemes	Public Provident Fund	5 (16.13)	72 (54.55)	30 (15.87)	24 (18.46)	19 (39.58)	150
	New Pension schemes	3 (9.68)	19 (14.39)	24 (12.70)	10 (7.69)	8 (16.67)	64
	KisanvikasPatra	2 (6.45)	6 (4.55)	12 (6.35)	6 (4.62)	9 (18.75)	35
	National Saving Certificate	0 (0.00)	4 (3.03)	12 (6.35)	3 (2.31)	4 (8.33)	23
	Post Office Savings	12	54	109	60	23	258

		(38.71)	(40.91)	(57.67)	(46.15)	(47.92)	
Social Security Schemes	Life Insurance	9 (29.03)	96 (72.73)	139 (73.54)	94 (72.31)	38 (79.17)	376
	General Insurance	3 (9.68)	44 (33.33)	68 (35.98)	30 (23.08)	9 (18.75)	154
	Microfinance	7 (22.58)	21 (15.90)	21 (11.11)	33 (25.38)	9 (18.75)	91
Capital Market	Shares	1 (3.22)	4 (3.03)	10 (5.29)	4 (3.08)	2 (4.17)	21
	Bonds	1 (3.23)	4 (3.03)	13 (6.88)	5 (3.85)	2 (4.17)	25
	Mutual Funds	8 (25.81)	27 (20.45)	36 (19.05)	20 (15.38)	9 (18.75)	100
	Debentures	1 (3.23)	1 (0.76)	4 (2.12)	2 (1.54)	0 (0.00)	8
	Commodity market	0 (0.00)	1 (0.76)	5 (2.65)	4 (3.08)	1 (2.08)	11
Other Financial Products	Chit Funds	3 (9.68)	24 (18.18)	34 (17.99)	26 (20.00)	8 (16.67)	95
	Real Estate	2 (6.45)	12 (9.09)	18 (9.52)	11 (8.46)	7 (14.58)	51
<b>Total Respondents</b>		<b>31</b>	<b>132</b>	<b>189</b>	<b>130</b>	<b>48</b>	<b>2437</b>

Source: Compiled from the Field Survey,2016-17

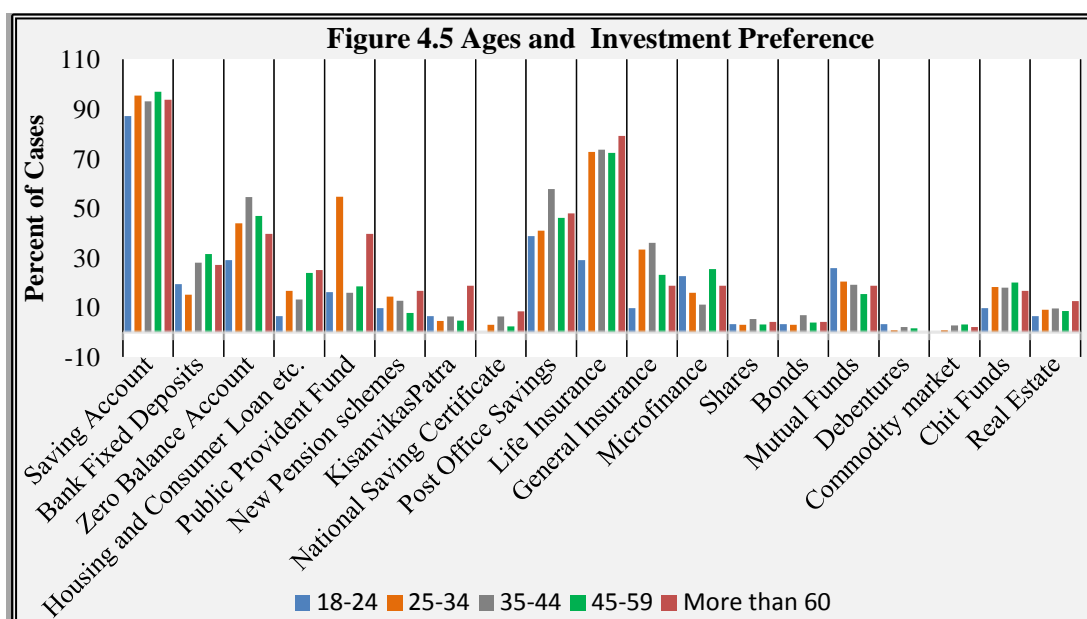
Note: figure in the parenthesis indicate percentages of the total respondent.

One respondent can have more than one avenues of investment preference in financial products at a time.

#### 4.8 Result of the Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	133.76	72	.000
N of Valid Cases	2437		

Source: Computed by the author



Source: Compiled from the Field Survey,2016-17

#### 4.4.4 Cross Tabulation between Marital Status and Investment Preference

It is evident from the Table 4.9 and Figure 4.6, that the married respondents showed high preferences in all types of financial scheme products except in real estate. For real estate products, more preference was shown by unmarried respondents as compared to married respondents. From the above observation, it can be concluded that the married respondents have high financial responsibilities as compared to the unmarried respondents and this might be the valid reason for preferring high in different financial instruments by the male respondents. The calculated value of Chi-square ( $\chi^2$ ) is 56.428 at 18 degrees of freedom (Table 4.10), the significance value is less than 0.05, which is significant at 5% level. Thus Ho of Hypothesis 4- Investment preference for various financial products is independent of marital status gets rejected and it can be said that marital status has significant effect on investment preferences for various financial products. It can be inferred that the marital status does determine the investment preferences.

**Table 4.9 Cross Tabulation between Marital Status and Investment Preferences.**

Financial Products		Marital Status		Total
		Married	Unmarried	
		Frequency	Frequency	
Banking Services	Saving Account	398 (95.90)	102 (88.70)	500
	Bank Fixed Deposits	117 (28.19)	16 (13.91)	133
	Zero Balance Account	198 (47.71)	52 (45.22)	250
	Housing and Consumer Loan etc.	85 (20.48)	7 (6.09)	92
Government Schemes	Public Provident Fund	134 (32.29)	16 (13.91)	150
	New Pension schemes	56 (13.49)	8 (6.96)	64
	KisanvikasPatra	29 (6.99)	6 (5.22)	35
	National Saving Certificate	19 (4.58)	4 (3.48)	23

	Post Office Savings	229 (55.18)	29 (25.22)	258
Social Security Schemes	Life Insurance	345 (83.13)	31 (26.96)	376
	General Insurance	137 (33.01)	17 (14.78)	154
	Microfinance	83 (20.00)	8 (6.96)	91
Capital Market	Shares	17 (4.10)	4 (3.48)	21
	Bonds	21 (5.06)	5 (4.35)	25
	Mutual Funds	79 (19.04)	21 (18.26)	100
	Debentures	7 (1.69)	1 (0.87)	8
	Commodity market	9 (2.17)	2 (1.74)	11
Other Financial Products	Chit Funds	73 (17.59)	22 (19.13)	95
	Real Estate	45 (10.84)	6 (5.22)	51
<b>Total Respondents</b>		<b>415</b>	<b>115</b>	<b>2437</b>

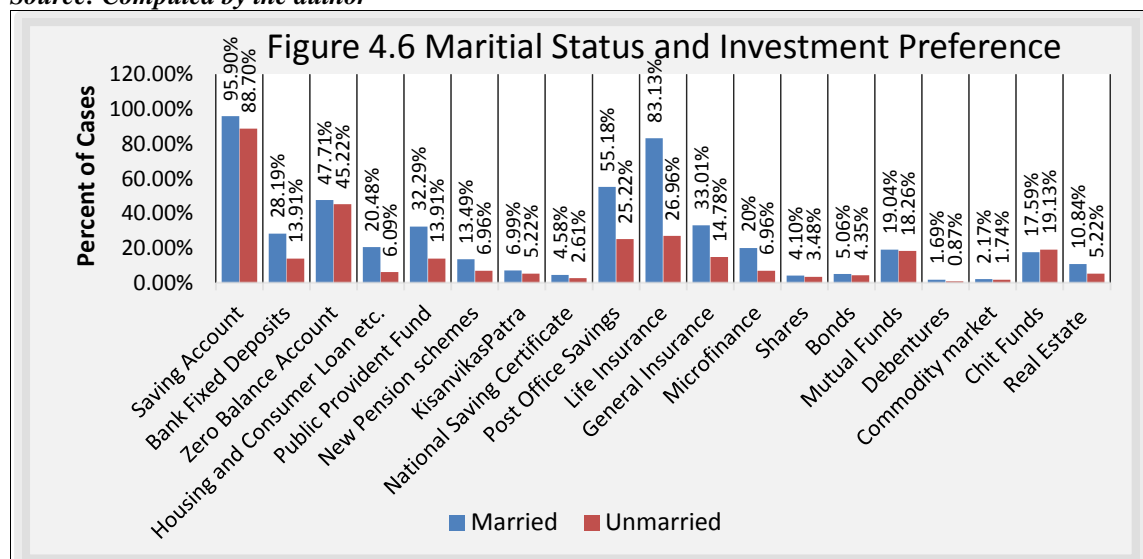
Source: Compiled from the Field Survey,2016-17

Note: figure in the parenthesis indicate percentages of the total respondent.

#### 4.10 Result of the Chi-Square Test:

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	56.428	18	.000
N of Valid Cases	2437		

Source: Computed by the author



Source: Compiled from the Field Survey,2016-17



#### 4.4.5 Cross Tabulation between Education and Investment Preference

From the Table 4.11 and Figure 4.7, it is observed that preference for saving accounts was almost same for respondents i.e. range between 91.18% to 96.77%. Investment Preference for the fixed deposit was shown high by the respondents having Post Graduate and above degrees. The preference for zero balance account is exhibited high by the respondents having primary education level. Higher preference for the products like provident funds, pension schemes and National Savings certificates was shown by the higher education level respondents. The respondents who are 10+2 and primary level passed showed more preference towards Kisan Vikas Patra (KVP) and less by the high educated level respondents. The respondents having Primary level of Education showed more preference towards post office savings deposit account. Both life and general insurance was preferred at the maximum by the respondents having Post Graduate and above degrees and less by the respondents having low level of education. Maximum preference for Micro Finance was shown by respondents having Post Graduate and above degrees. It was also observed that the financial products like shares are highly preferred by respondents having Graduate degree (6.67%) and in bonds by respondents having Higher Secondary education (7.14%). Preference for Mutual Funds was shown high by the respondents (41.94%) having Post Graduate and above degrees and the debentures are showed least preference by respondents across all education levels. Chit funds and real estate's were shown high preference by the respondents having Post Graduate and above degrees and was shown least preference by respondents having low education. Table 4.12 reveals that the value of Chi- square ( $\chi^2$ ) is 242.046 at 72 degrees of freedom which is significant at 5% level. It is concluded that null Hypothesis 5- Investment preference for various financial

products is independent of Education gets rejected and it can be said that education has significant effect on investment preferences for various financial products.

**Table: 4.11 Cross Tabulation between Education and Investment Preference**

Financial Products		Education					Total
		Primary	10 <sup>th</sup> (Matriculation)	10+2	Graduation	P.G and Above	
		Frequency	Frequency	Frequency	Frequency	Frequency	
Banking Services	Saving Account	124 (91.18)	80 (94.12)	107 (95.54)	129 (95.56)	60 (96.77)	500
	Bank Fixed Deposits	29 (21.32)	18 (21.18)	31 (27.68)	32 (23.70)	23 (37.10)	133
	Zero Balance Account	90 (66.18)	35 (41.18)	53 (47.32)	48 (35.56)	24 (38.71)	250
	Housing and Consumer Loan etc.	24 (17.65)	11 (12.94)	18 (16.07)	26 (19.26)	13 (20.97)	92
Government Schemes	Public Provident Fund	10 (7.35)	20 (23.53)	31 (27.68)	56 (41.48)	33 (53.23)	150
	New Pension schemes	17 (12.50)	7 (8.24)	7 (6.25)	14 (10.37)	19 (30.65)	64
	Kisanvikas Patra	14 (10.29)	0 (0.00)	14 (12.50)	7 (5.19)	0 (0.00)	35
	National Saving Certificate	0 (0.00)	2 (2.35)	3 (2.68)	8 (5.93)	10 (16.13)	23
	Post Office Savings	85 (62.50)	32 (37.65)	50 (44.64)	56 (41.48)	35 (56.45)	258
Social Security Schemes	Life Insurance	61 (44.85)	62 (72.94)	93 (83.04)	98 (72.59)	62 (100.00)	376
	General Insurance	16 (11.76)	18 (21.18)	39 (34.82)	53 (39.26)	28 (45.16)	154
	Microfinance	4 (2.94)	14 (16.47)	35 (31.25)	18 (13.33)	20 (32.26)	91
Capital Market	Shares	2 (1.47)	3 (3.53)	4 (3.57)	9 (6.67)	3 (4.84)	21
	Bonds	3 (2.20)	3 (3.53)	8 (7.14)	8 (5.93)	3 (4.84)	25
	Mutual Funds	12 (8.82)	13 (15.29)	21 (18.75)	28 (20.74)	26 (41.94)	100
	Debentures	3 (2.21)	0 (0.00)	0 (0.00)	5 (3.70)	0 (0.00)	8
	Commodity market	6 (4.41)	3 (3.52)	2 (1.79)	2 (1.48)	0 (0.00)	11
Other Financial Products	Chit Funds	19 (13.97)	22 (25.88)	16 (14.29)	16 (11.85)	22 (35.48)	95
	Real Estate	5 (3.68)	10 (11.76)	11 (9.82)	16 (11.85)	9 (14.52)	51
<b>Total Respondents</b>		<b>136</b>	<b>85</b>	<b>112</b>	<b>135</b>	<b>62</b>	<b>2437</b>

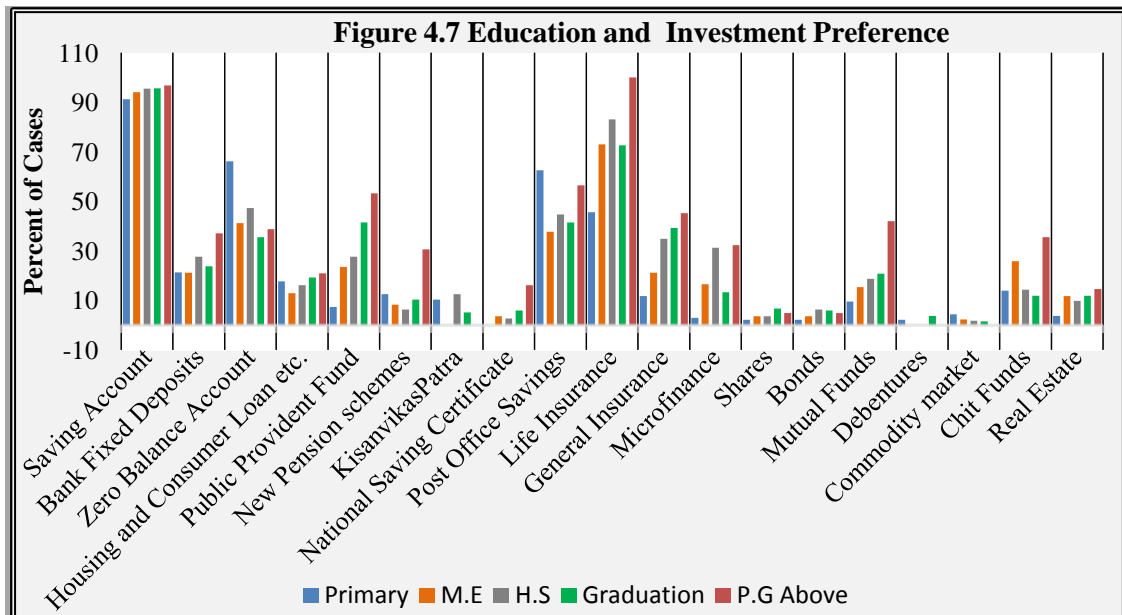
Source: Compiled from the Field Survey, 2016-17

Note: figure in the parenthesis indicate percentages of the total respondent.

**Table 4.12 Result of the Chi-Square Test:**

	Value	df	Asymp. Sig (2-sided)
Pearson Chi-Square	242.046	72	.000
Valid Cases	2437		

Source: Computed by the author.



Source: Compiled from the Field Survey, 2016-17

**4.4.6: Cross Tabulation between Nature of Employment and Investment Preferences**

From Table 4.13 and Figure 4.8, it was found that preference for the banking financial products such as savings and fixed deposit accounts was almost similar for all the nature of the employee respondents. Preference for zero balance account showed high by the self employed category respondents (58.02%) and less preference was shown by the professional employees. Professional employees exhibit maximum preference for Housing and consumer loan, new pension schemes and National Savings Certificate. Government employees had more preference for Public provident fund (58.42%) as compared to other employees. High Preference for life insurance was shown by the professional and Govt. employees. Similarly Highest preference for Micro Finance, commodity markets and bonds market was shown by the Self employed category of employees and had no preference was shown by the

professional employees in the micro finance product. It was also observed, in shares market and mutual funds high preference exhibit by the professional employees. The Preferences were shown by the Govt. employees and self employed employees for debentures were almost same. Higher preference for Chit funds was shown by Private employees' respondents (23.61%). Table 4.13 also reveals that preference for real estate's was shown high by the professional employees (27.45%) and least preference was shown by the private employees (3.70%). The hypothesis is tested by using Chi-Square ( $\chi^2$ ) Test and the calculated value of Chi-Square in the Table 4.14 is 257.9 at 54 degrees of freedom. The significance value is less than 0.05, the Null Hypothesis 6- Investment preference for various financial instruments is independent of nature of employments gets rejected. It can be inferred that nature of employments has significant effect on investment preferences for various financial products.

**Table 4.13 Cross Tabulation between Employees and Investment Preference**

Financial Products		Nature of Employees				
		Govt.	Pvt.	Professional	Self Employed	Total
		Frequency	Frequency	Frequency	Frequency	
Banking Services	Saving Account	92 (91.09)	204 (94.44)	49 (96.08)	155 (95.68)	500
	Bank Fixed Deposits	25 (24.75)	49 (22.68)	15 (29.41)	44 (27.16)	133
	Zero Balance Account	30 (29.70)	109 (50.46)	17 (33.33)	94 (58.02)	250
	Housing and Consumer Loan etc.	36 (35.64)	15 (6.94)	19 (37.25)	21 (12.96)	91
Government Schemes	Public Provident Fund	59 (58.42)	67 (31.02)	19 (37.25)	6 (3.70)	150
	New Pension schemes	17 (16.83)	25 (11.57)	12 (23.53)	10 (6.17)	64
	Kisan Vikas Patra	6 (5.94)	10 (4.63)	0 (0.00)	19 (11.73)	35
	National Saving Certificate	8 (7.92)	5 (2.31)	8 (15.69)	2 (1.23)	23
	Post Office Savings	43	89	20	105	258

		(42.57)	(41.20)	(39.22)	(64.81)	
Social Security	Life Insurance	83 (82.18)	148 (68.52)	43 (84.31)	102 (62.96)	376
	General Insurance	34 (33.66)	63 (29.17)	12 (23.53)	45 (27.78)	154
	Microfinance	17 (16.83)	34 (15.74)	0 (0.00)	40 (24.69)	91
	Shares	6 (5.94)	5 (2.31)	4 (7.84)	6 (3.70)	21
Capital Markets	Bonds	4 (3.96)	7 (3.24)	2 (3.92)	13 (8.02)	25
	Mutual Funds	18 (16.83)	36 (16.66)	16 (31.37)	30 (18.52)	100
	Debentures	3 (2.97)	0 (0.00)	0 (0.00)	5 (3.09)	8
	Commodity market	0 (0)	2 (0.93)	0 (0)	9 (5.56)	11
Other Financial	Chit Funds	15 (14.85)	51 (23.61)	5 (9.80)	23 (14.20)	95
	Real Estate	13 (12.87)	8 (3.70)	14 (27.45)	16 (9.88)	51
	<b>Total Respondents</b>	<b>101</b>	<b>216</b>	<b>51</b>	<b>162</b>	<b>2437</b>

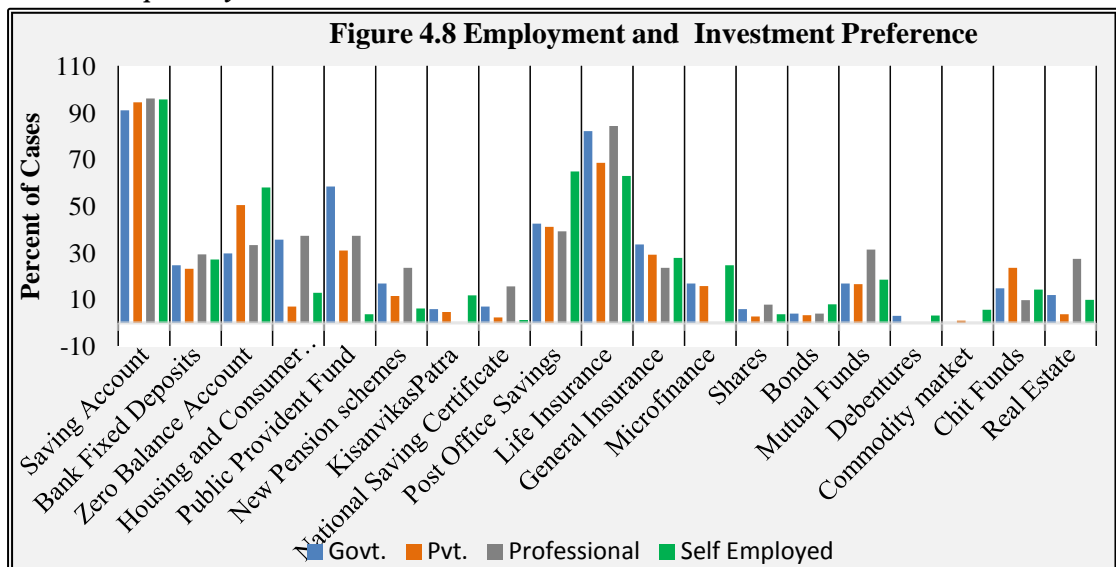
Source: Compiled from the Field Survey,2016-17

Note: figure in the parenthesis indicate percentages of the total respondent.

#### 4.14 Result of the Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	257.9	54	.000
N of Valid Cases	2437		

Source: Computed by the author



Source: Compiled from the Field Survey,2016-17

#### **4.4.7: Cross Tabulation between Caste and Investment Preference**

From the given analysis of Table 4.15 and Figure 4.9, it can be observed that preference for saving and fixed deposit account was exhibit high by the General category respondents and least preference was shown by Schedule Castes (SCs) category respondents. For Zero balance account and Post Office Saving account highest preference was shown by Schedule Tribe category respondents. Highest preference for Housing and consumer was shown by Schedule Tribes (STs) respondents (25.6%) and it is followed by general category respondents (17.39%). Financial products like Public provident fund, New Pension Scheme, National Saving Certificate (NSC), Life Insurance and micro finance, was shown highest preference by the Schedule Caste category respondents. For General Insurance investment high preference was shown by General Category respondents. Table 4.15 also reveals that Capital market financial products maximum preferences were shown by the Schedule Caste category respondents. For commodity markets both Schedule Caste and General category respondents showed the same preferences. Table 4.17 also exhibit that highest investment preference for Chit Fund was shown by the SC category respondents and it is followed by OBCs (Other Backward Classes) category respondents. In term of real estate the highly preference showed by the Schedule Tribe category respondents and preference for same products given by Schedule Caste category and OBC category respondents are almost same. The value of Chi- square ( $\chi^2$ ) came out to be 154.4 at 54 degrees of freedom (Table 4.16), which is significant at 5% level. Thus Ho of Hypothesis 7- Investment preference for various financial instruments is independent of caste gets rejected and it can be said that caste has a significant effect on investment preferences for various financial products.

**Table 4.15 Cross Tabulation between Caste and Investment Preference**

Financial Products		Caste				Total
		SC	ST	OBC	General	
		Frequency	Frequency	Frequency	Frequency	
Banking Services	Saving Account	43 (89.58)	116 (92.8)	164 (94.79)	177 (96.19)	500
	Bank Fixed Deposits	8 (16.67)	33 (26.4)	37 (21.38)	54 (29.35)	133
	Zero Balance Account	16 (33.33)	68 (54.4)	76 (43.93)	89 (48.36)	250
	Housing and Consumer Loan etc.	5 (10.42)	32 (25.6)	24 (13.87)	32 (17.39)	92
Government Schemes	Public Provident Fund	27 (55.25)	32 (25.6)	40 (23.12)	51 (27.71)	150
	New Pension schemes	13 (27.08)	13 (10.4)	20 (11.56)	18 (9.78)	64
	KisanvikasPatra	2 (4.17)	9 (7.2)	8 (4.62)	16 (8.69)	35
	National Saving Certificate	2 (4.17)	11 (8.80)	3 (1.73)	7 (3.80)	23
	Post Office Savings	19 (39.58)	69 (55.2)	78 (45.08)	92 (49.75)	258
Social Security Schemes	Life Insurance	38 (79.16)	87 (69.6)	111 (64.16)	141 (76.63)	376
	General Insurance	9 (18.75)	41 (32.8)	39 (22.54)	65 (35.32)	154
	Microfinance	16 (33.33)	21 (16.8)	21 (12.14)	33 (17.9)	91
Capital Market	Shares	3 (6.25)	6 (4.80)	6 (3.47)	7 (3.80)	21
	Bonds	3 (6.25)	7 (5.6)	7 (4)	8 (4.34)	25
	Mutual Funds	16 (33.33)	5 (4)	30 (17.34)	49 (26.44)	100
	Debentures	3 (6.25)	0 (0.00)	3 (1.73)	3 (1.63)	8
	Commodity market	1 (2.08)	2 (1.60)	3 (1.73)	5 (2.72)	11
Other Financial Products	Chit Funds	13 (27.08)	16 (12.8)	34 (19.65)	32 (17.4)	95
	Real Estate	2 (4.17)	35 (28)	8 (4.62)	6 (3.26)	51
<b>Total Respondents</b>		<b>48</b>	<b>125</b>	<b>173</b>	<b>184</b>	<b>2437</b>

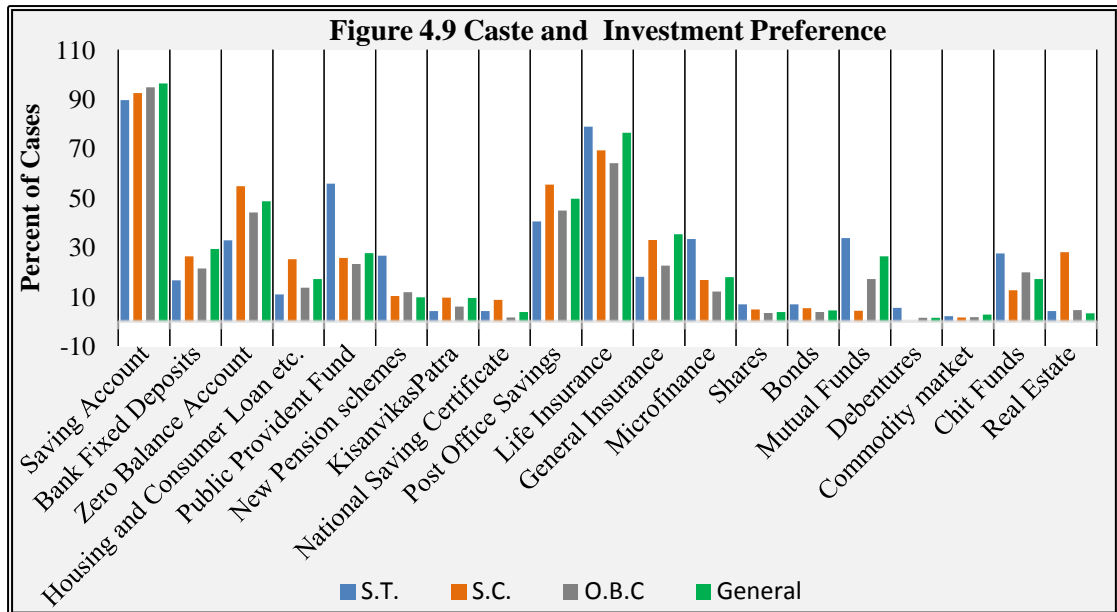
Source: Compiled from the Field Survey, 2016-17

Note: figure in the parenthesis indicate percentages of the total respondent.

#### 4.16 Result of the Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	154.4	54	.000
N of Valid Cases	2437		

Source: Computed by the author



Source: Compiled from the Field Survey, 2016-17

#### 4.4.8: Cross Tabulation between Language and Investment Preference

From the given Table 4.17 and Figure 4.10, it was found that preference for saving account was almost same shown by Nepali and Bengali speaking residing community respondents. Preference for fixed deposit account was showed high by the Hindu speaking residing community respondents and it was followed Bengali speaking residing community respondents. It was also found that for zero balance account was shown highest preference by others category speaking community respondents and it is followed by Nepali speaking community respondents. For housing and consumer loans showed highest preference by the other language speaking community respondents (38.46%) and it is followed by the Hindi speaking community respondents. Table 4.17 also highlighted that preference for employees provident and new pension schemes showed maximum preference by the Bengali speaking community respondents followed by those of other language speaking community respondents. Kisan Vikas Patra (KVP) and Post office savings account was highly followed by the Nepali speaking community respondents. For National savings certificate, Life insurance, all capital market financial products and chit funds showed



high preference by the Bengali speaking community respondents. For real estate's investment was highly preferred by the Hindi speaking community respondents. The calculated value of Chi- square ( $\chi^2$ ) given in the Table 4.18 is 256.7 at 54 degrees of freedom, which is significant at 5% level. Thus Null Hypothesis 8- Investment preference for various financial instruments is independent of languages gets rejected and it can be concluded there is significant relationship between investment preferences and language.

**Table 4.17 Cross Tabulation between Language and Investment Preference**

Financial Products		Language				Total
		Nepali	Bengali	Hindi	Others*	
		Frequency	Frequency	Frequency	Frequency	
Banking Services	Saving Account	316 (96.04)	126 (94.73)	47 (85.45)	11 (84.62)	500
	Bank Fixed Deposits	78 (23.70)	35 (26.31)	17 (30.91)	3 (23.08)	133
	Zero Balance Account	175 (53.19)	44 (33.08)	23 (41.81)	8 (61.5.)	250
	Housing and Consumer Loan etc.	51 (15.50)	24 (18.05)	11 (19.68)	5 (38.46)	91
Government Schemes	Public Provident Fund	51 (15.50)	92 (69.17)	5 (9)	2 (15.38)	150
	New Pension schemes	30 (9.11)	27 (20.30)	5 (9)	2 (15.38)	64
	Kisan Vikas Patra	28 (8.51)	7 (5.26)	0 (0.00)	0 (0.00)	35
	National Saving Certificate	8 (2.43)	13 (9.77)	3 (5.45)	0 (0.00)	23
	Post Office Savings	190 (57.75)	38 (28.57)	27 (49.09)	3 (23.08)	258
Social Security Schemes	Life Insurance	219 (66.56)	115 (86.46)	37 (67.27)	5 (38.46)	376
	General Insurance	87 (26.44)	41 (30.82)	22 (40)	4 (30.76)	154
	Microfinance	54 (16.12)	22 (16.54)	7 (12.72)	7 (53.84)	91
Capital Market	Shares	12 (3.65)	8 (6.02)	1 (1.82)	0 (0)	21
	Bonds	14 (4.25)	9 (6.7)	2 (3.63)	0 (0.00)	25
	Mutual Funds	53 (16.12)	42 (31.57)	6 (10.9)	0 (0.00)	100

	Debentures	1 (0.30)	4 (3)	3 (5.45)	0 (0.00)	8
	Commodity market	1 (0.30)	5 (3.76)	3 (5.45)	2 (15.38)	11
Other Financial Products	Chit Funds	45 (13.68)	48 (36)	0 (0.00)	3 (23.07)	95
	Real Estate	32 (9.73)	7 (5.26)	10 (18.18)	2 (15.38)	51
<b>Total Respondents</b>		<b>329</b>	<b>133</b>	<b>55</b>	<b>13</b>	<b>2437</b>

Source: Compiled from the Field Survey, 2016-17

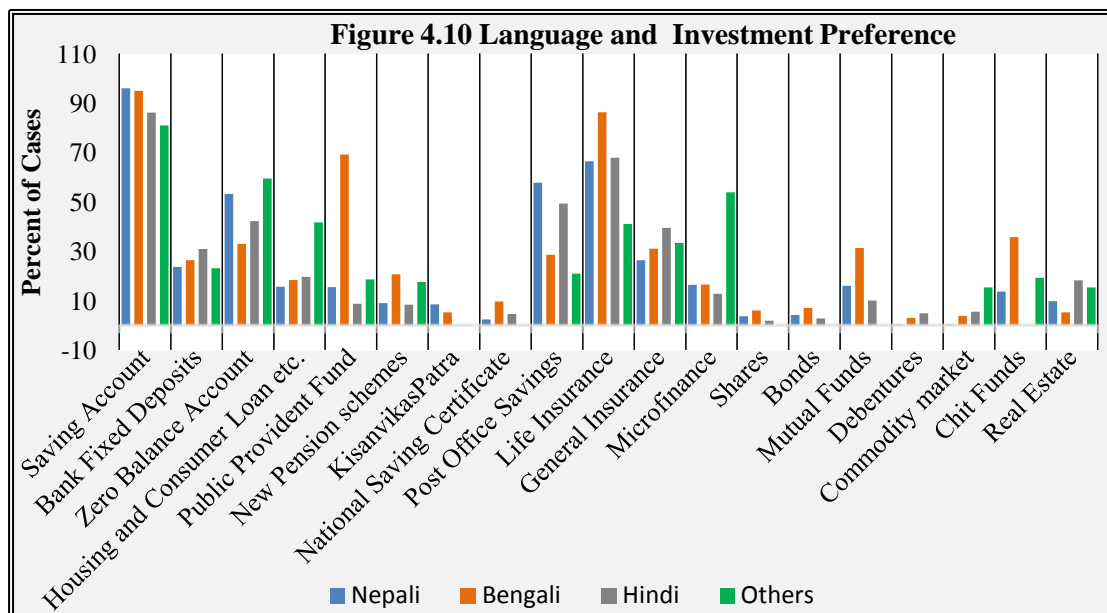
Note: figure in the parenthesis indicate percentages of the total respondent.

\*Others language include Santhali, Oriya and English etc.

#### 4.18 Result of the Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	256.7	54	.000
N of Valid Cases	2437		

Source: Computed by the author



Source: Compiled from the Field Survey, 2016-17

#### 4.4.9: Table Cross Tabulation between Geographical Region and Investments

On the basis of geographical region, Table 4.19 and Figure 4.11, it was found that preference for saving and zero balance account was almost same for urban and rural region. Analyzing investment preferences for these two regions, it was found urban region respondents exhibit more preference for all financial products except in Kisan Vikas Patra (KVP) financial product. The value of Chi-square ( $\chi^2$ ) came out to be 73.897 at 18 degrees of freedom (Table 10), which is significant at 5% level. Thus Ho

of Hypothesis 9- Investment preference for various financial instruments is independent of geographical region gets rejected and it can be inferred that caste has significant effect on investment preferences for various financial products.

**Table 4.19 Cross Tabulation between geographical region and investment Preference**

Financial Products		Geographical Region		Total
		Urban	Rural	
		Frequency	Frequency	
Banking Services	Saving Account	211 (93.78)	289 (94.75)	500
	Bank Fixed Deposits	73 (32.44)	60 (19.67)	133
	Zero Balance Account	108 (47.79)	142 (46.55)	250
	Housing and Consumer Loan etc.	60 (26.67)	32 (10.49)	92
Government Schemes	Public Provident Fund	91 (40.44)	59 (19.34)	150
	New Pension schemes	28 (12.44)	36 (11.80)	64
	Kisanvikas Patra	13 (5.77)	22 (7.21)	35
	National Saving Certificate	15 (6.66)	8 (2.62)	23
	Post Office Savings	114 (50.66)	144 (47.21)	258
Social Security Schemes	Life Insurance	195 (86.67)	181 (59.34)	376
	General Insurance	86 (38.22)	68 (22.29)	154
	Microfinance	58 (25.78)	33 (10.82)	91
Capital Market	Shares	16 (7.11)	5 (1.64)	21
	Bonds	17 (7.55)	8 (2.62)	25
	Mutual Funds	53 (23.55)	47 (15.40)	100
	Debentures	8 (3.56)	0 (0.00)	8
	Commodity market	8 (3.56)	3 (0.98)	11
Other Financial Products	Chit Funds	45 (20.00)	50 (16.39)	95
	Real Estate	31 (13.78)	20 (6.56)	51
<b>Total Respondents</b>		<b>225</b>	<b>305</b>	<b>2437</b>

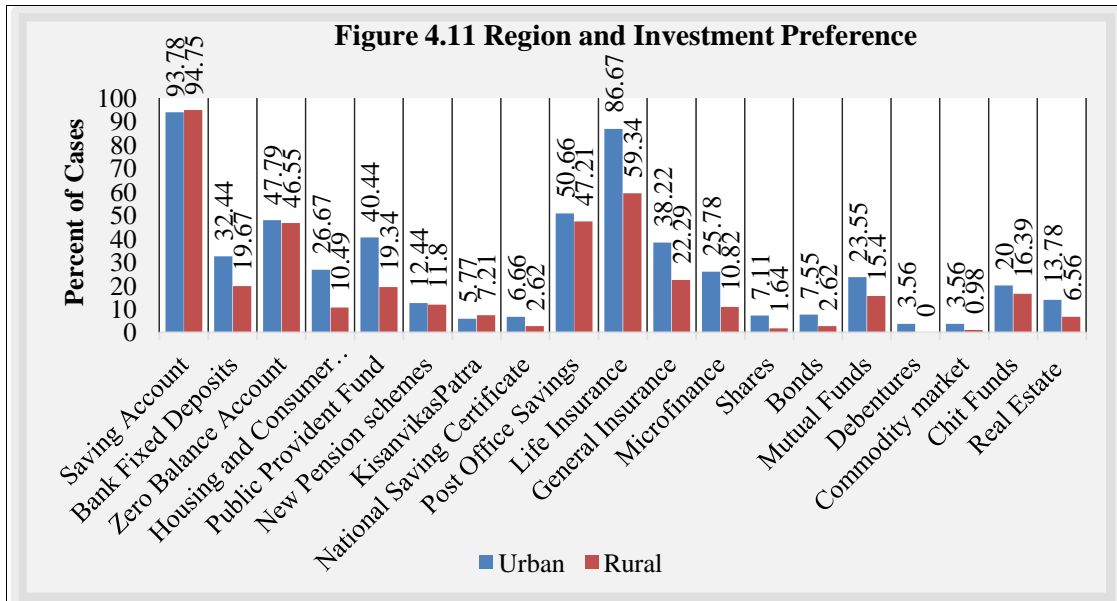
*Source: Compiled from the Field Survey, 2016-17*

*Note: figure in the parenthesis indicate percentages of the total respondent.*

**Table 4.20 Result of the Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	73.897	18	.000
N of Valid Cases	2437		

Source: Computed by the author



Source: Compiled from the Field Survey, 2016-17

#### 4.4.10: Cross Tabulation between Monthly Income and Investment Preference

From the analysis of given Table 4.21 and Figure 4.12, it can be observed that preference for savings account was almost same across all income categories. Respondents earning monthly income ₹40,000 and more showed more preferences for housing and consumer loan, public provident fund, life insurance, shares, bonds, mutual funds, debentures and real estates. High preference for zero balance account, post office saving account and Chit funds was shown by those earning monthly income up to ₹10,000. For Micro finance more preference was exhibit by those earning monthly income between ₹10,000 to ₹20,000. It was also observed that maximum preference for Bank Fixed deposit showed by those earning monthly

income between ₹30,000 to ₹40,000. It observed that the bank deposits and insurance are the most preferred investment and relatively preferred investment instruments respectively for all the income groups (Das, 2012)<sup>lxxxvii</sup>. The value of Chi-square( $\chi^2$ ) came out to be 462.778 at 72 degrees of freedom (Table 4.22), which is significant at 5% level. Thus Ho of Hypothesis 10- Investment preference for various financial products is independent of Incomes gets rejected and it can be said that income level has significant effect on investment preferences for various financial products.

**Table 4.21 Cross Tabulation between Income and Investment Preference**

Financial Products		Level of Income per Month (in ₹)					Total
		Upto 10,000	10,000 to 20,000	20,000 to 30,000	30000 to 40000	40000 and above	
		Frequency	Frequency	Frequency	Frequency	Frequency	
Banking Services	Saving Account	201 (92.63)	129 (94.85)	74 (94.87)	49 (96.08)	47 (97.92)	500
	Bank Fixed Deposits	50 (23.04)	32 (23.53)	19 (24.36)	17 (33.33)	15 (31.25)	133
	Zero Balance Account	128 (58.99)	64 (47.06)	32 (41.03)	21 (41.18)	5 (10.42)	250
	Housing and Consumer Loan etc.	15 (6.91)	26 (19.12)	10 (12.82)	18 (35.29)	23 (47.92)	92
Government Schemes	Public Provident Fund	36 (16.59)	33 (24.26)	28 (35.90)	25 (49.02)	28 (58.33)	150
	New Pension schemes	7 (3.23)	5 (3.68)	14 (17.95)	22 (43.14)	16 (33.33)	64
	Kisan Vikas Patra	15 (6.91)	12 (8.82)	0 (0.00)	6 (11.76)	3 (6.25)	35
	National Saving Certificate	6 (2.76)	6 (4.41)	3 (3.85)	4 (7.84)	3 (6.25)	23
	Post Office Savings	196 (90.32)	9 (6.62)	4 (5.13)	18 (35.29)	31 (64.58)	258
Social Security Schemes	Life Insurance	179 (82.49)	84 (61.76)	42 (53.85)	28 (54.90)	43 (89.58)	376
	General Insurance	32 (14.75)	49 (36.03)	33 (42.31)	24 (47.06)	16 (33.33)	154
	Microfinance	16 (7.37)	54 (39.71)	8 (10.26)	8 (15.69)	5 (10.42)	91
Capital Market	Shares	3 (1.38)	5 (3.68)	3 (3.85)	3 (5.88)	6 (12.50)	21
	Bonds	6 (2.76)	3 (2.21)	5 (6.41)	4 (7.84)	8 (16.67)	25

	Mutual Funds	60 (27.65)	10 (7.35)	10 (12.82)	5 (9.80)	15 (31.25)	100
	Debentures	0 (0.00)	1 (0.74)	2 (2.56)	2 (3.92)	3 (6.25)	8
	Commodity market	3 (1.38)	1 (0.74)	4 (5.13)	1 (1.96)	2 (4.17)	11
Other Financial Products	Chit Funds	50 (23.04)	17 (12.50)	14 (17.95)	3 (5.88)	11 (22.92)	95
	Real Estate	21 (9.68)	7 (5.15)	6 (7.69)	7 (13.73)	10 (20.83)	51
<b>Total Respondents</b>		<b>217</b>	<b>136</b>	<b>78</b>	<b>51</b>	<b>48</b>	<b>243</b> <b>7</b>

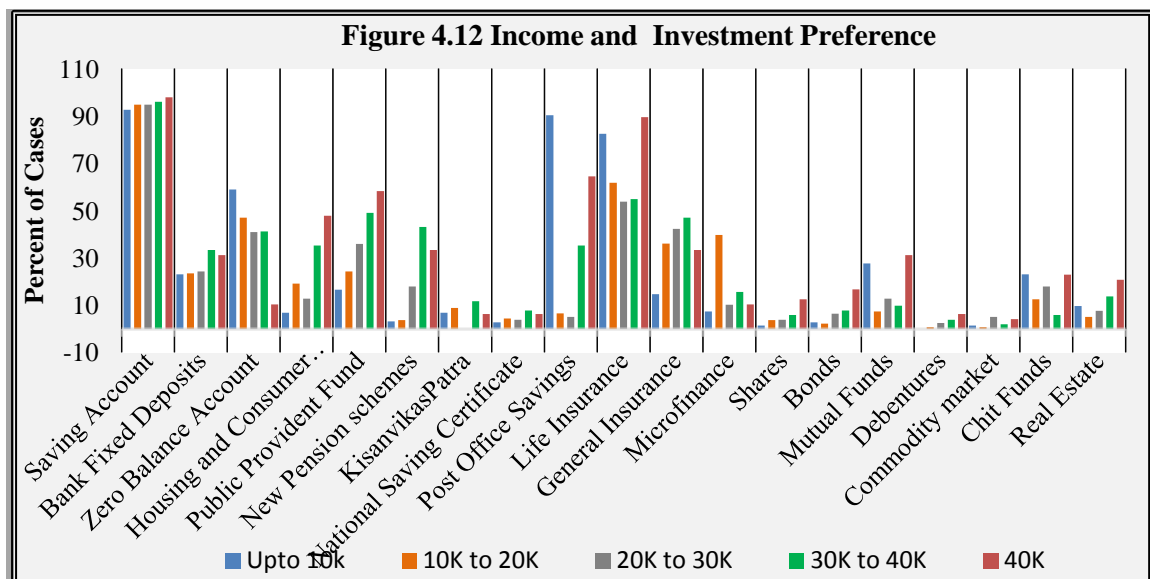
Source: Compiled from the Field Survey,2016-17

Note: figure in the parenthesis indicate percentages of the total respondent.

**Table 4.22 Result of the Chi-Square Test:**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	505.115	72	.000
N of Valid Cases	2437		

Source: Computed by the author.



Source: Compiled from the Field Survey,2016-17

#### 4.5 Factors Influencing the Financial Decision

**Table 4.23 Mean Score of Factors Influencing the Investment Decisions**

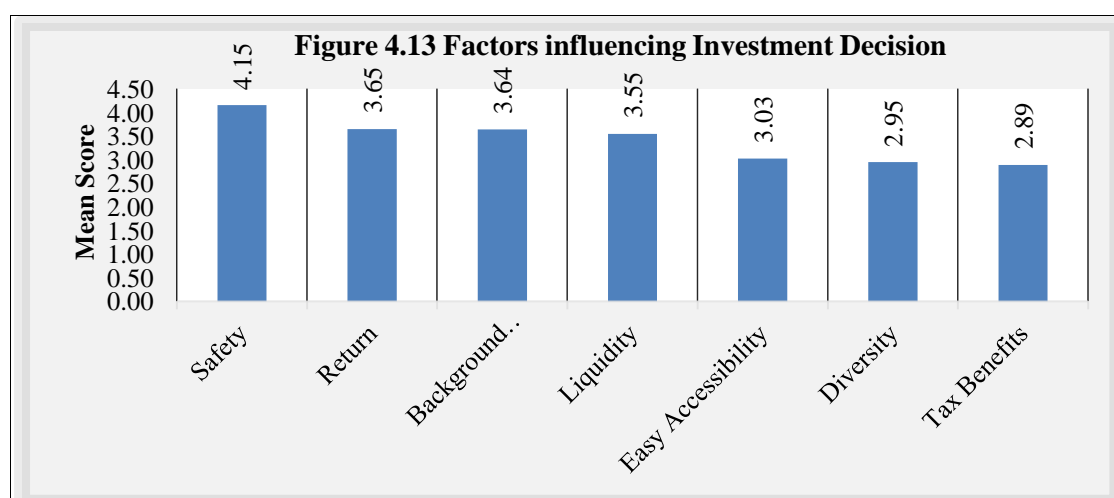
Factors	Not all important	Less Important	Not sure	Important	Most Important	Mean	Rank
Safety and security	22 (4.15)	47 (8.87)	42 (8)	130 (24.5)	288 (54.34)	4.155	1
Liquidity	29 (5.47)	52 (9.81)	151 (28.5)	196 (37)	102 (19.25)	3.5475	4
Return	54 (10.18)	53 (10)	76 (14.33)	189 (35.66)	158 (29.81)	3.6475	2
Tax Benefits	78	138	148	97	69	2.8875	7

	(14.72)	(26)	(28)	(18.30)	(13)		
<b>Easy Accessibility</b>	70 (13.21)	117 (22)	126 (23.75)	163 (30.75)	54 (10.25)	3.0275	5
<b>Diversity</b>	62 (11.72)	98 (18.5)	207 (39.13)	129 (24.39)	33 (6.25)	2.9475	6
<b>Background Information</b>	32 (6.04)	48 (9)	123 (23.20)	203 (38.11)	125 (23.58)	3.6425	3

*Source: Compiled from the Field Survey,2016-17*

*Note: figure in the parenthesis indicate percentages of the total respondent.*

The respondent's opinion is important to determine their perception of the investment. In the above analysis of Table 4.23 and Figure 4.13, the factors/Choice which affect the respondents investment decision in a given financial product responses were collected on five point Likert scale assigning 1 to "not at all important" and 5 to "most important". The responses of the above parameters were analyzed by using the weighted mean score of various influencing factors and it was ranked on the basis of the weighted mean. From the Table 4.23 and Figure 4.13, it was observed that the respondents are decided their investment based on the following order of influencing given the high preference to the safety followed by the return, background information, liquidity (Convertibility into cash as and when required), easy accessibility, diversity and tax benefits. From the Table 4.23 and Figure 4.13, it can be conclude that, the investors should also think of saving income tax benefits and invest their money in order to maximize the return on investment.



*Source: Compiled from the Field Survey,2016-17*

#### 4.6 Preference Sources of Information for making Investments

The source of information about the saving and investment product obtained by the respondents according their level of financial literacy is exhibited in the (Table 4.24):

**Table 4.24 Sources of Information about financial products and services Influencing the Investment Decisions**

Particulars	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Rank
	Count	Count	Count	Count	Count		
<b>Product Specific Information</b>	12 (2.26)	42 (8)	129 (24.3)	205 (38.68)	142 (26.25)	3.7975	1
<b>Best buy Guidance</b>	38 (7.17)	29 (5.5)	171 (32.2)	219 (41.32)	73 (13.75)	3.4875	2
<b>General Advice</b>	42 (8)	64 (12)	180 (34)	199 (37.5)	45 (8.5)	3.265	4
<b>Website/Internet</b>	62 (11.70)	77 (14.5)	201 (38)	130 (24.5)	61 (11.5)	3.0925	5
<b>Advertisement/ Media coverage</b>	62 (11.70)	69 (13)	146 (27.5)	167 (31.5)	86 (16.23)	3.275	3

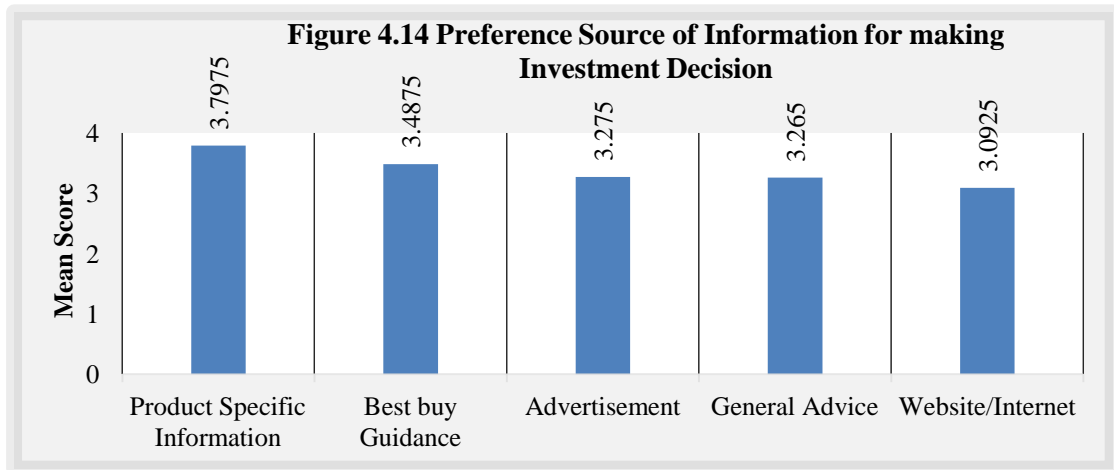
*Source: Compiled from the Field Survey,2016-17*

*Note: figure in the parenthesis indicate percentages of the total respondent.*

From the above analysis of Table 4.24 and Figure 4.14, the Preference Sources of Information which affect the respondents investment decision for making Investments in a given financial product responses were collected on five point Likert scale assigning 1 to “not at all important” and 5 to “most important”. The responses of the above parameters was analyzed by using the weighted mean score of various preference sources of information factors influencing investment avenues and it was ranked on the basis of the weighted mean. From the analysis of Table 4.24 and Figure 4.14, it can observed that the respondents are decided their more Preference Sources of Information for making Investments from the product specific information (Unsolicited information sent through the post, Information picked up in a branch and information from sales staff of the firm providing the products)and followed by best buy guidance(Recommendation from independent financial adviser or broker),



advertisement, general advice and Internet and website. It can be conclude that internet or website and general advice are not much popular to spread the saving and investment related information amongst the respondents in Darjeeling district.



Source: Compiled from the Field Survey,2016-17

#### 4.7 Priority for Investment Preferences of the Respondents

Table 4.25 Priority for Investment Preferences of the Respondents

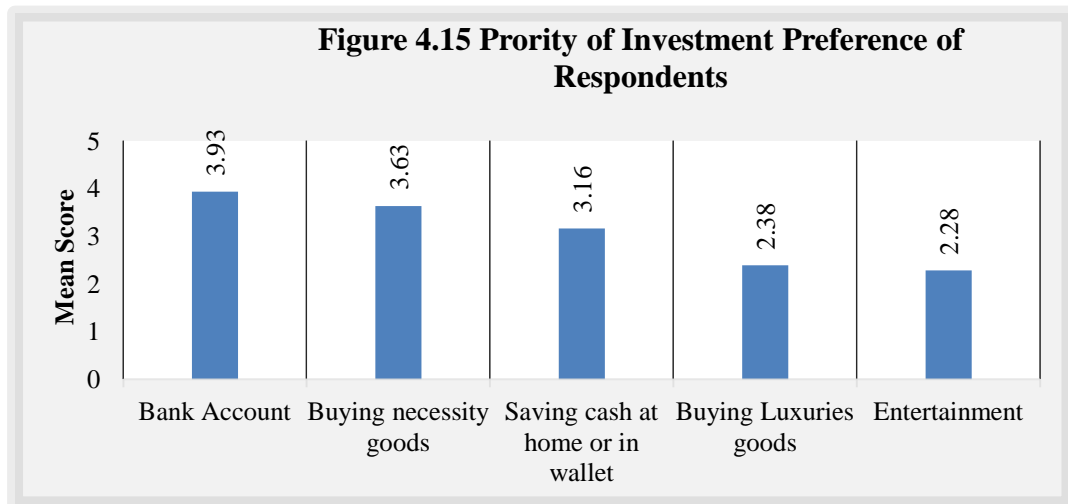
Particulars	Not all important	Less Important	Not sure	Important	Most Important	Mean	Rank
	Count	Count	Count	Count	Count		
Buying necessity goods	27 (5)	72 (13.5)	101 (19)	203 (38.25)	129 (24.34)	3.64	2
Buying Luxuries goods	111 (21)	212 (40)	106 (20)	93 (17.5)	8 (1.5)	2.38	4
Entertainment	122 (23)	215 (40.5)	126 (23.75)	64 (12)	5 (1)	2.28	5
Saving cash at home or in wallet	68 (12.83)	86 (16.25)	117 (22)	213 (40.19)	46 (8.68)	3.16	3
Bank Account	7 (1.32)	29 (5.5)	114 (21.5)	224 (42.25)	156 (29.43)	3.93	1

Source: Compiled from the Field Survey,2016-17

Note: figure in the parenthesis indicate percentages of the total respondent.

The respondents were asked how the excess money in the past 12 months has been utilized. The preference level of the various financial instruments available in the markets given responses by the respondents are measured in a 5 point Likert Scale, assigning 1 to ‘not at all important’ preference level and 5 to ‘most important’

‘preference level. From the above Table 4.25 and Figure 4.15, it reveals, that the respondents showed maximum preference of excess money utilization in the bank account for saving and followed by those other options like buying necessity goods, saving cash at home at wallet, buying luxuries goods and entertainment. It was clear that the respondents were highly aware of the time value of money.



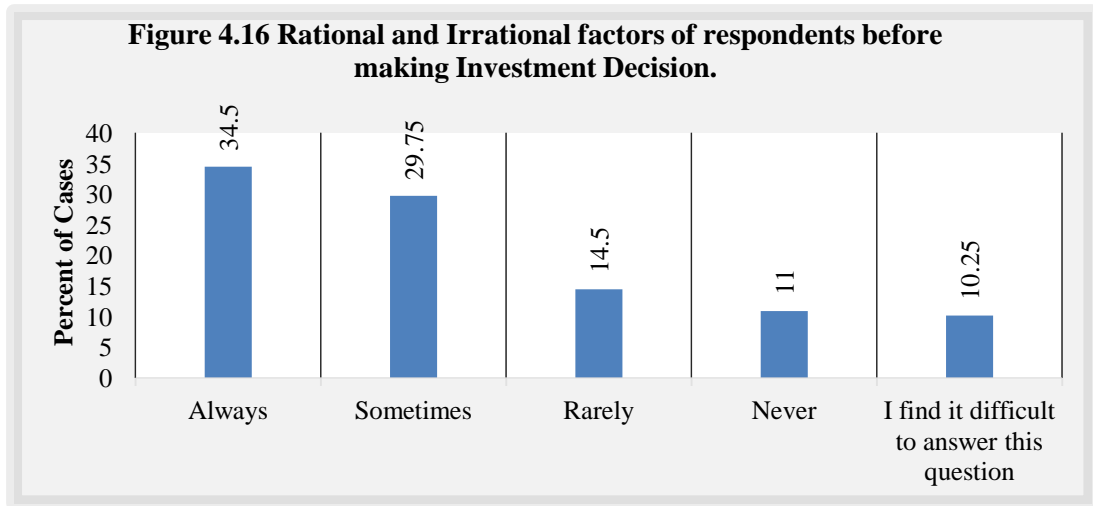
*Source: Compiled from the Field Survey,2016-17*

#### 4.8 Rational and Irrational respondent’s preference for investments

**Table 4.26 Rational and Irrational factors of respondents before making investments decisions**

Factors	Frequency	Percent of cases
Always	183	34.5
Sometimes	158	29.81
Rarely	77	14.5
Never	58	10.94
I find it difficult to answer this question	54	10.19
Total Respondents	530	

*Source: Compiled from the Field Survey,2016-17*



*Source: Compiled from the Field Survey, 2016-17*

The respondents were asked about how far they analyze the terms and conditions for provision of financial services of various companies before making investing in a financial product. Table 4.27 and Figure 4.17 reveals that majority respondents showed high preferences in the rational factor “always” as they habitually compare the terms and conditions for provision of financial services of various companies before making investment and followed by factor “some times” ,”rarely”, ”never” and 54 respondents (10.25%) showed difficult to find the answer.

## 4.9 CONCLUSION

It is clear that the respondents are much aware of the low risk old and traditional financial products. Respondents are more risk averse and they prefer low financial risk products. The most important factors affecting the investment decision is safety associated with the investment. In general the website or internet and general advice are not much popular to spread the saving and investment related information to the respondents in Darjeeling district. It was also found that the savings habits as the respondents prefer more in banking related financial services schemes. It can be inferred that the investment preference for various financial products is independent

category of gender does not have the significant effect on the investment preferences for various financial products. The result of this study assists the households on the personal financial management. It also indicates that financial literacy programmes can impart sizeable influence on the households for increasing the awareness level of the respondents in the various existing financial products available in the global markets. It can be conclude that the level of financial literacy varies across Darjeeling district due to variations in the socio-economic variables like family status, marital status, education and income level etc.

The majority of the respondents “always” compare the term and conditions of the financial products before making the investment. After carefully analysis and interpretation, the overall results suggest that the people must be properly educated about new and existing financial products available in the global market. So they can reap the benefits of earning higher returns. Perhaps, they will not be part of victim of frauds and somebody will not take credit for clients entitled to get.

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## **CHAPTER 5**

### **MEASURING FINANCIAL LITERACY: ANALYSIS AND RESULTS**

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#### **5.1 Introduction**

This chapter is designed to measure the level of financial literacy and to identify the association between financial literacy and socio-economic factors in Darjeeling district. This chapter consists of analysis and interpretation of data related to financial literacy. Financial literacy of households in Darjeeling district has been assessed by adopting a holistic approach. This approach to financial literacy can help ensure a long term change in financial knowledge, financial behaviour, financial skill and financial attitude. Under this approach financial literacy has been measured by combining its five basic dimensions i.e. financial knowledge, financial attitude, financial behaviour, financial skill and financial awareness. Financial literacy primarily relates to personal finance, which enables individuals to take effective action to improve overall well being and avoid distress in financial matters (Gloria & Santhi, 2016)<sup>1</sup>.

This chapter focuses on measuring financial literacy amongst the households of Darjeeling district and endeavours to examine their capability in making efficient and effective financial decisions. This chapter begins with the findings of results related to probable dimensions which have been used to capture financial literacy of the respondents. The results relating to various dimensions for measuring the financial literacy such as: financial knowledge, financial attitude, financial behaviour, financial skill and financial awareness have been presented and discussed. The hypotheses related to the association between financial literacy and socio-economic variables have been tested.

The ability to manage personal finances (budgeting, savings, investing and retirements planning) has become increasingly significant in today's world. In this chapter, a significant aspect related to the issue of measuring financial literacy has been identified and its relationship with socio-economic and demographic variables. Several studies have sought to identify these relationships. Socio-economic and demographic characteristics are also important determinants of financial literacy. In this regard, Lusardi, Mitchell and Curto, (2010) found that parents' education was a strong predictor of financial literacy: those whose mothers graduated from college were nearly 6 percentage points more likely to answer the inflation and risk diversification questions correctly. Lastly, the financial literacy mean scores have been presented and discussed. After that, hypotheses related to overall financial literacy have been tested by using the ANOVA (Analysis of Variance), so as to find out the association between financial literacy and socio-economic variables. This chapter also concludes by providing findings, suggestions and summary of the results.

## **5.2 Analysis and Discussion**

In order to measure the level of Financial Literacy of households in Darjeeling district, the construct was fully developed by the researchers as unidimensional variable. The level of financial literacy of the respondents is measured by conceptualizing the basic parameters of OECD approach. The OECD approach is more comprehensive as it attempts to measure the level of financial literacy by using the most probable dimensions of financial literacy-financial knowledge, financial attitude, financial behavior, financial skill and financial awareness. The Organisation for Economic Cooperation and Development, 2013 conceptualizes financial literacy as a combination of awareness, knowledge, skill, attitude, and behaviour required to

make financial decisions and ultimately achieve individual financial well-being<sup>5</sup>. The following dimensions of financial literacy are briefly highlighted below:

### **5.2.1 Financial Knowledge**

Financial knowledge is an important component of financial literacy for individuals, to help them compare financial products and services and make appropriate, well-informed financial decision (OECD, 2016)<sup>2</sup>. Financial Knowledge allows an individual to make informed, effective and efficient financial decisions with all of their financial resources. A financially literate person should have some basic knowledge of key financial concepts like saving, investing, budgeting and retirement planning etc. The five core questionnaires have been chosen to cover the wide range of financial knowledge and to test levels of financial knowledge of each respondent. For the purpose of measuring financial knowledge, five point Likert scale assigning 1 to 'strongly disagree' and 5 to 'strongly agree' were used in the study. Possible responses value ranged from 1 to 5. Each questioner is related with the different dimensions of variables such as time value of money, risk and returns, definition of inflation, risk diversification and financial numeracy (Compound interest). Nevertheless, it is impossible to understand and analyses every aspect of financial knowledge that may be of use to an individual.

### **5.2.2 Financial Attitude**

Financial attitudes are considered to be a significant element of financial literacy. Attitude toward financial consciousness and practices is an important predictor of financial literacy. If individual have a positive attitude towards saving money for their future, they will be more inclined to undertake to save money for the future and

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<sup>5</sup><https://www.oecd.org/finance/financial-education/49319977>.



they found less satisfying to spend money and vice versa. Similarly, if individual prefer to priorities short term desires over longer term security then they are unlikely to provide themselves with emergency savings or to make longer term financial plans. If a household has sufficient financial knowledge, possessed sound financial skill and ability to act in a particular way, their attitude will influence their ultimate financial decision of whether or not to act. The financial literacy survey includes five attitude statements namely to test the level of financial attitude of each respondent. Each questionnaire is related with the different dimensions of the variables such as financial planning, financial literacy in spending money, savings, risk taking attitude and financial situations.

### **5.2.3 Financial Behaviours**

Financial behaviours will focuses upon how investors interpret, analyse and act on available information to make informed investment decisions. It is the potential to capture of understanding overall impacts of financial decisions on one's individual. The way in which an individual behaves will have a positive impact on their financial wellbeing. It is therefore important to understand evidence of behaviours to measure the level of financial literacy. The core questionnaire does this by incorporating a variety of questions in various understandable languages to respondents, to find out about financial behaviours concerning to financial planning, savings, borrowing, investment and sources of information before making investment. From the responses to these questions, we can derive the information about the ways in which people plan their money, save their money, borrow the money, and invest their money.

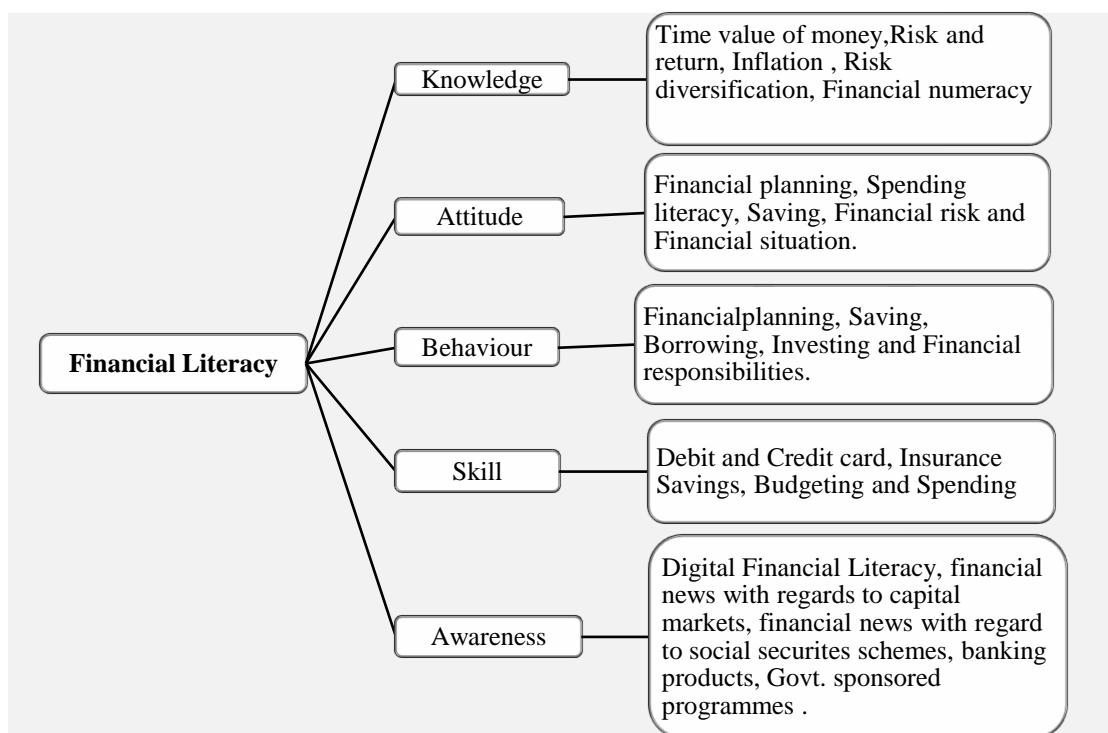
#### **5.2.4 Financial Skill**

Financial skill is the ability to use appropriate knowledge, understanding and skill to manage a predicted or an unpredictable situation in order to solve a financial issue and convert it to a financial well-being and opportunity to one's advantage. In order to know whether the respondents possessed good financial skill, five relevant statements concerning to financial skill in debit and credit cards, insurance, saving habits, budgeting and spending has been considered.

#### **5.2.5 Financial Awareness**

Financial awareness plays a predominant role to incline the individual to make the savings and investment in different financial instruments. The questionnaire was administered to 530 respondents containing five various questions pertaining to their level of financial awareness and usage of financial product services. The five relevant statements consist of: digitally aware of financial literacy, financial news with regards to capital markets, television and radio financial literacy information with regards to social securities investment avenues, opinion from best buy guidance for investment in banking products and govt. sponsored Programmes for improving saving habits. In the present chapter an attempt has been made to measure the level of awareness of the respondents with regards to the kind of financial product services being provided by the various institutions.

**Figure 5.1 Conceptual Model of Financial Literacy**



Defining and appropriately measuring financial literacy is essential to understand educational impact as well as barriers to effective financial choice (Huston, 2010)<sup>3</sup>. The measuring of financial literacy is also essential to analyse and understand the socio-economic and demographic impact on the essential and effective financial choice of the financial instruments in the global markets. The questionnaire and proposed methodology are based on the recommendations developed in an OECD working paper and two internal OECD/INFE discussion papers<sup>4</sup>. The questionnaire focuses on those aspects of knowledge, attitudes and behaviours, skill and awareness that are associated with the overall concept of financial literacy. The questions cover a wide range of contexts, including awareness of financial services provided by the different financial institutions, financial management, planning for short and longer term financial goals and awareness and choice of financial products, meeting immediate financial requirements and planning

for the future. Almost all the questions relate directly to the respondents answering the question. The questionnaire is specifically designed to be applicable across respondents of different geographical region, education, occupations, caste, language, age, marital status and income levels as well as in current markets scenario with various levels of financial services and inclusion.

### **5.3 Factor Analysis- Overall Financial Literacy**

In order to understand the financial literacy of the respondents' total of 25 statements were used and responses were measured on a 5 point Likert scale assigning 1 to 'not at all true' and 5 to 'very true'. Each five questions from the 25 statements are distributed on the basis of five financial literacy parameters namely knowledge, attitude, behaviour, skill and awareness. As it was difficult to present the results of all 25 statements individually, it was decided to carry out factor analysis on these 25 items measuring financial literacy of the respondents. Factor analysis is a multivariate statistical approach commonly used in psychology and education. This chapter has attempted to provide novice researchers with a simplified approach to undertaking exploratory factor analysis (EFA). This results in relating to various dimensions which has been used to capture financial literacy of the respondents. It is necessary to conduct an exploratory factor analysis in this study to fulfill construct validity. Exploratory factor analysis is a complex multivariate statistical approach involving many linear and sequential steps (Brett Williams, Andrys Onsman, Ted Brown, journal of emergency primary Health Care,2010)<sup>5</sup>. Factor analysis is an interdependence technique whose basic objective is to explain the underlying structure among the variables in the analysis. Factor analysis examine the underlying patterns or relationships for a large number of variables and to determine whether the

given information can be condensed or summarized in a smaller set of components or factors.

In this study, Factor Analysis was carried out using varimax matrix method by applying SPSS (20.00). The main statistics extracted are factor loading, h<sup>2</sup> (Communality), H(Percentage of total variation in the data), Eigen value, percentage of common variance and percent of total variance. The brief explanations to these are highlighted below:

**5.3.1 Factor Loading:** Factor Analysis produces factor loadings for each combination of extracted factors and the observed variables. Factor loadings are similar to correlation coefficients between the factors and the variables. Thus higher the factor loading, the more likely it is that the factor underlies that variable. Factor loading help in measuring which variables are associated with the particular extracted factor, to what degree and in what direction.

**5.3.2 h<sup>2</sup>:** Here h<sup>2</sup> indicate Communality. It gives the variance considered for a particular variable by all the factors. Mathematically, it is the sum of squared loadings for a variable across all the factors (Gaur & Gaur, 2009)<sup>6</sup>. The higher the value of communality for a particular variable after the process of obtaining underlying factors or components, higher is its amount of variance explained by the extracted factors. It is the proportion of a variable that is involved in the factor (1-h<sup>2</sup>) and it is equal to the degree to which a variable unrelated to other variables.

**5.3.3 H (Percentage of total variation in the data):**

$$H = \frac{\text{Sum of all } h^2}{\text{Number of Variables}} \times 100$$

**5.3.4 Eigen Value:** Eigen value is used to decide the number of underlying factors after extraction. Eigen value ascertain the amount of total variance in the data explained by a factor. An Eigen value of less than <1 essentially means that the factor explains less variance than a single variable. Therefore Eigen value less than 1 has not been considered in the study because it does not give a meaningful factor.

**5.3.5 Total Variance Explained**

It summarizes the total variance explained by the factor analysis solution and gives an indication about the number of useful or meaningful factors.

**5.3.6 Adequacy of Data Test:**

Barlett’s test of sphericity and the Kaiser-Meyer-Olkin measure of sampling adequacy is the test which can be used to determine the factorability of the matrix as a whole. If Barlett’s test of Sphericity is large and significant, and the Kaiser-Meyer-Olkin measure is greater than 0.6, then factorability is assumed (Hair et al.2007)<sup>7</sup>. Table 5.1, Results indicate that KMO measure of sampling adequacy is 0.790 and all KMO values for individual items were less than 0.5. Barlett’s test of shercity indicated a significant value (P < 0.05). Therefore, the use of factor analysis is suitable for this study.

**Table 5.1 KMO and Bartlett’s Test**

<b>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</b>		<b>.790</b>
<b>Bartlett’s Test of Sphericity</b>	<b>Approx. Chi-Square</b>	<b>3736.575</b>
	<b>Df</b>	<b>300</b>
	<b>Sig.</b>	<b>.000</b>

*Source: Field Work, 2016-17, SPSS (20.00)*

Table 5.2, summarizes the total variance explained by the Factor analysis solution and gives an indication about the number of useful factors. Eigen value is the standardized

form to decide number of underlying factors after extraction. Ideal Eigen value is 1. An Eigen value of 1 or above means that the factor explains more variance than a single variable, and therefore should be considered to be a meaningful factor. So those factors which had the Eigen value 1 or above given in the (Table 5.2), had been considered for the study. Looking at the Table 5.2, we can see that the Eigen value for the first factor is quite a bit larger than the Eigen value for the next factor. Based on Table 5.2, there are only seven factors with Eigen values greater than 1 suggesting seven-factor solution. Each factor in the given (Table 5.2) shows the percentage of variance in descending order. Cumulative variances of all valid factors together are also highlighted in the Table 5.2. As per the research, the minimum cumulative variance should be more than 60%. While no absolute threshold has been adopted, for the social sciences a minimum of 60% cumulative variance is quite commonly accepted (Hair, Black, & Babin, 2006)<sup>8</sup>. Factor 1 has the Eigen value 5.457, having the variance of 21.828, Factor 2 has Eigen value 2.467, having the variance of 9.868, Factor 3 has Eigen value 1.734, having the variance of 6.936, Factor 4 has Eigen value 1.587, having the variance of 6.348, Factor 5 has Eigen value 1.435, having the variance of 5.74, Factor 6 has Eigen value 1.32, having the variance of 5.28, Factor 7 has Eigen value 1.076, having the variance of 4.304. Cumulative variance of all seven factors is 60.304%; It is higher than the cut off value of 60%. These seven factors were able to explain 60.304% of total variance.

Table 5.2, the second part, titled Extraction Sums of Squared Loadings gives information for factors with Eigen values greater than 1.

Table 5.2, the last part titled, Rotated Sums of Squared Loadings gives the information for extracted factors after rotation. After, rotation, only the relative value

of Eigen values has changed; the cumulative percentage variance of seven factors remains the same.

**Table 5. Variance Explained**

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.457	21.828	21.828	5.457	21.828	21.828	3.111	12.444	12.444
2	2.467	9.868	31.696	2.467	9.868	31.696	2.390	9.562	22.005
3	1.734	6.936	38.632	1.734	6.936	38.632	2.348	9.392	31.397
4	1.587	6.348	44.98	1.587	6.348	44.98	2.017	8.070	39.467
5	1.435	5.74	50.72	1.435	5.74	50.72	1.773	7.095	46.562
6	1.32	5.28	56.00	1.32	5.28	56.00	1.755	7.023	53.585
7	1.076	4.304	<b>60.304</b>	1.076	4.304	60.304	1.679	6.719	60.304
8	0.996	3.984							
9	0.944	3.776							
10	0.823	3.292							
11	0.725	2.9							
12	0.719	2.876							
13	0.631	2.524							
14	0.619	2.476							
15	0.566	2.264							
16	0.55	2.2							
17	0.482	1.928							
18	0.465	1.86							
19	0.45	1.8							
20	0.448	1.792							
21	0.41	1.64							
22	0.324	1.296							
23	0.316	1.264							
24	0.247	0.988							
25	0.238	0.952							

Extraction Method: Principal Component Analysis.

The scree plot shown in Figure 5.2 is a method of determining the number of useful factors. Figure 5.2, It shows for a sharp break in sizes of Eigen values which results in a change in the slope of the plot from steep to shallow. Above screen plot also suggest



that there are seven factors with Eigen values greater than 1. This suggests that the right choice of seven factor solution and considered for the further study.

**Figure 5.2 Scree Plot**

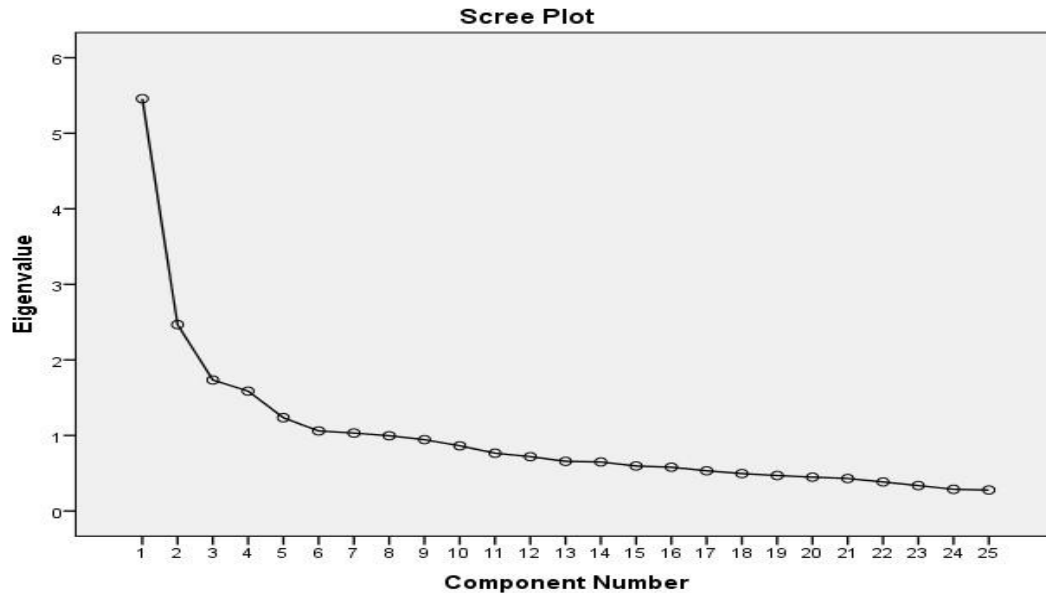


Table 5.3, shows the Principal Component Analysis using Varimax Rotation method was operated for extracting the underlying factors. Table 5.3 depicts the rotated component matrix for financial literacy factors. Rotated component matrix contains pattern of the factor loadings for each variable. Factor loadings are the correlation of each factor and the variables. Thus higher the factor loading, the more likely it is that the factor underlies those variables. Factors loadings help in identifying which variables are associated with the particular factors. In the Table 5.3, eighteen variables out of the total twenty five variables measures failed to load reliably in financial literacy construct.

**Table 5.3 Principal Component Analysis**

Sl. No.	Variables	Component/Factor							h <sup>2</sup>	H
		Finanal Behavior 1	Skill in dealing with finance 2	Financial Level of Awareness 3	Knowledge in dealing with financial Situations 4	Financial Attitude 5	Financial Planning 6	Knowledg e and attitude of Finance 7		
1.	I feel putting away money each month for saving or investments is important	.520							.57 7	60.304
2.	I pay my utility bills, loan instalments on time every month.	.646							.652	
3.	I evaluate financial products before investing money in them.	.646							.63 8	
4.	I seek information from all possible sources before making choice regarding investment.	.55 7							.64 7	
5.	I use debit and credit card wisely.	.658							.56 2	
6.	I have Purchase enough insurance protection for my future.	.468							.60 4	
7.	Digital Financial Literacy campaign can be a good move to improve upon financial literacy.	.570							.60 8	
8.	I have develop good savings habits.		.620						.51 6	
9.	I evaluate my budget and revise as needed from time to time.		.770						.62 1	
10.	I regularly compare my estimated expenses to my actual spending.		.705						.59 8	
11.	I believe that if I keep money in a saving which grows in compounded form it will gives me better return			.56 4					.45 6	
12.	'I regularly read the personal finance pages in the newspapers with regards to the kind of shares, bonds, commodity market services being provided by the various financial institutions.			.585					.74 5	

13.	I watch TV & listen radio which advice in social securities investment avenues.			.782					.56 2	
14.	I take opinion from many literate friends for investment in various banking products.			.517					.58 5	
15.	I attend many programmes which Govt. sponsors in my village, locality for improving saving habit.			.679					.54 6	
16.	I think if someone offers me the chance to make a lot of money in short time, there is also chance of losing a lot of money				.727				.53 1	
17.	I believe that Investment with a high return is likely to bear high risk				.782				.49 0	
18.	I think that high inflation means that cost of living is going increase rapidly				.551				.51 0	
19.	I believe that it is important to have a financial plan.					.591			.67 0	
20.	Before I buy something I carefully consider whether I can afford it.					.755			.54 5	
21.	When it comes to financial matters, I think of myself as a bit of a risk taker.						.618		.59 3	
22.	I set aside money for special events.						.451		.61 6	
23.	I save money before I spend.						.803		.67 6	
24.	I put all my money in one kind of investment, then it is likely that I will lose all of my money							.666	.45 4	
25.	I find it more satisfying to spend money than to save it for the future.							.68 6	.57 8	
<b>Eigen value</b>		5.457	2.467	1.734	1.587	1.435	1.32	1.076		
<b>Percentage of Cumulative Variance</b>		21.829	31.669	38.635	44.9 81	50.72	56.00	60.304		
<b>Percentage of Total Variance</b>		<b>21.829</b>	<b>9.868</b>	<b>6.936</b>	<b>6.348</b>	<b>5.74</b>	<b>5.28</b>	<b>4.304</b>		
Extraction Method: Principal Component Analysis Rotation Method: Varimax Rotation										
Rotation converged in 7 iterations.										

Table 5.3 also shows the communalities values ( $h^2$ ) of the variables. It is the proportion of the variances of each variable in the scale explained by the factors. The titled communalities ( $h^2$ ) give the initial and extraction communalities. Communalities for a variable are explained by the extracted factors. Extraction communalities for a variable give the total amount of variance in the variable. The variable has low communality; it means that the extracted factors are not able to explain much variance in that variable. In the above Table 5.3, the variance in term of “knowledge in diversification” value is .454 (45.4 %) has low communality is explained by the extracted factors. The cut off value for variable is 0.4. Thus the variables having above 0.4 value are considered for the further studies. In this case all the variables have the value above 0.4, so all variables will be considered further studies in Factor Analysis. The seven factors were able to explain 60.304% of total variance given in the column H (Table 5.3), with factor loading between 0.451 to 0.803.

The interpretation and naming of factors was done by identifying the variables having high loading on individual factors. For this purpose, Rotated Component matrix (Table 5.3) is used. On closely scrutinizing the items which fall under these seven factors, different names were given to factors representing different financial literacy. The seven factors identified in factor analysis are:

### **Factor 1**

***Financial Behavior:*** *Seven items* were loaded on this Factor. Considering the items under factor 1 it was named as “Financial Behavior” as it includes statements related to saving, behaviour for payment of utility bills, behaviour in evaluating of financial

products, sensible financial behaviour towards investment , and using debit and credit card, financial skill in insurance and digitally aware of financial literacy.

## **Factor 2**

*Skill in dealing with finance: Three items* were loaded on this Factor. Considering the items under factor 1 it was named as skill in dealing with finance as it includes statements related to saving, spending and budgeting.

## **Factor 3**

*Financial Level of Awareness:* Rotated factor matrix revealed that *five items* which are loaded on this factor and are related to awareness level of capital market products, social security schemes product and banking products, govt. initiatives for improving saving habits and level of knowledge in term of financial numeracy.

## **Factor 4**

*Knowledge in dealing with financial situations: Three items* were loaded on this factor, Knowledge related to time value of money, risk and return and inflation are included here.

## **Factor 5**

*Financial Attitude: Two items* were loaded on thus factor. This factor considers the attitude towards financial planning and spending money.

## **Factor 6**

*Financial Planning: Three items* were loaded on this factor. Items like feasible and amiable financial behaviour towards financial planning, saving and risk handling statements are loaded on this factor.

## **Factor 7**

*Knowledge in diversification and attitude towards financial situations: Two items* were loaded on this factor. Items like diversification and good attitude towards financial situations are included here.

### 5.3.7 Reliability of Scale

After identifying the various dimensions underlying factor, a researcher has been prepared a scale of those dimensions to measure the factor. Such a scale has to be tested for validity and reliability. The proper testing for validity and reliability can be done using Confirmatory Factor Analysis (CFA). However, in this study, the reliability of the scale was tested with the help of Cronbach's Alpha reliability statistics. The Cronbach alpha coefficient is an indicator for measuring internal consistency of the scale. Cronbach alpha coefficient high value suggests that the items that make up the scale "hang together" and measure the same underlying construct. A value higher than 0.6 is normally treated as satisfactory in research for the use of a scale (Robinson et al., 1991)<sup>9</sup>. Table 5.4 show that the value of Cronbach's Alpha of all 25 factors is 0.837, which is higher than acceptable level indicating a very good overall consistency.<sup>6</sup>

**Table 5.4 Scale Reliability**

Cronbach's alpha	Internal Consistency
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable

Source: [www.statisticshowto.com/cronbachs-alpha-spss](http://www.statisticshowto.com/cronbachs-alpha-spss)

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<sup>6</sup> [www.statisticshowto.com/cronbachs-alpha-spss](http://www.statisticshowto.com/cronbachs-alpha-spss)

**Table 5.5 Cronbach's Alpha Value Reliability Statistics**

Crobaach's Aplpha	N of Items
0.839	25

*Source: Output from SPSS 20.0*

Table 5.6 shows the different variables under the same factor as well as Cronbach's Alpha Value and Mean Score for Financial Literacy Factors. The seven factors were identified and name as: Financial Behaviour, Skill in dealing with finance, Financial level of awareness, Knowledge in dealing with financial situation, Financial Attitude, Financial planning and Knowledge in diversification and attitude of finance situation.

**Table 5.6 Labelling of Factors**

Sl. No.	Name of Factor	Variables	Number of extracted variables	Reliability (Cronbach's Alpha)	Mean Score
1.	Financial Behaviour	<ol style="list-style-type: none"> <li>1. Savings,</li> <li>2. Behaviours for payment of Utility bills.</li> <li>3. Behaviour in evaluation of Financial Products.</li> <li>4. Investments behaviors,</li> <li>5. debit and credit card,</li> <li>6. life insurance and</li> <li>7. digital financial literacy campaigning.</li> </ol>	7	0.778	3.643
2	Skill in dealing with finance	<ol style="list-style-type: none"> <li>1. Saving,</li> <li>2. Spending and</li> <li>3. Budgeting skill.</li> </ol>	3	0.706	3.444
3	Financial level of awareness	<ol style="list-style-type: none"> <li>1. Financial news with regards to the kind of shares, bonds, commodity market services being provided by the various financial institutions.</li> <li>2. T.V, Radio which advice in various social securities investment avenues.</li> <li>3. Sensitized by their best buy guidance for investment in various banking.</li> <li>4. Govt. sponsored</li> </ol>	5	0.710	2.962



		programmes for improving savings habits and 5. Level of knowledge in term of compound interest in savings.			
4	Knowledge in dealing with financial situation	1. Time value of money 2. Knowledge related to risk and return in investment and 3. Inflation	3	0.737	3.809
5	Financial Attitude	1. Financial planning, 2. Spending attitude statement	2	0.694	4.370
6	Financial planning	1. Financial planning 2. Savings and 3. Risk taking statement	3	0.736	3.568
7	Knowledge in diversification and Attitude towards financial situation.	1. Risk diversification and 2. Attitude towards financial situation	2	0.677	3.019

*Source: Primary Data*

The value of Cronbach's alpha was found internal consistency and it is to be acceptable for all financial literacy factors.

### **5.3.8 Mean Score of Financial Literacy Factors**

Table 5.6, shows the mean scores obtained for different extracted factors representing financial literacy. The minimum mean score for each extracted factor is 1 and maximum mean score of each factor is 5. From the given (Table 5.6), it can be seen that the highest mean score (4.278) is for the factor 'financial attitude', which reflects the positive financial literacy of the respondents towards the financial attitude. Table 5.6 inferred that the respondents possessed good and appropriate attitude towards financial planning and spending. Table 5.6 also depicts the second highest mean score (3.809) is for the factor "Knowledge in dealing with the financial situations" which

reveals that respondents are highly agreed with the knowledge in dealing with the financial situations. It inferred that the respondents have required knowledge regarding the risk and returns for investments and time value of money. Table 5.6 also reveals that the respondents have the basic knowledge about “inflation”. The third highest mean score (3.6430) is for the factor ‘Financial Behaviour’, and it is followed by Financial planning (3.568), Skill in dealing with finance (3.444), Knowledge in diversification and attitude towards financial situation (3.019) and Financial level of awareness (2.962). The lowest mean score is obtained for the factor “financial level of awareness” which is 2.960. The mean score of 2.960 indicates that the respondents are not updated with financial news with regard to various financial instruments avenues and are not much aware of programmes which Govt. sponsors in villages, locality for improving saving habits.

### 5.3.9 Relationship between Socio-economic Variables and Financial Literacy

**Table 5.7 Mean Score and F values of Financial Literacy Factors:**

		Financial Literacy Factors						
Socio-Economic Factors		Financial Behaviors	Skill in dealing with finance	Financial Level of Awareness	Knowledge in dealing with financial situations	Financial Attitude	Financial Planning	Knowledge in diversification and attitude towards Finance
<b>Gender</b>	Total Sample mean score	3.643	3.439	2.960	3.778	4.278	3.533	2.837
	Male	3.667	3.439	2.979	3.779	4.329	3.522	2.817
	Female	3.582	3.431	2.923	3.789	4.196	3.549	2.840
	df	1	1	1	1	1	1	1
	F-Value	<b>4.390*</b>	0.026	1.219	0.032	<b>6.003*</b>	0.238	0.072
	Significance	0.036	0.871	0.270	0.857	0.014	0.625	0.789
<b>Family Status</b>	Joint	3.656	3.331	2.897	3.850	4.273	3.516	2.839
	Nuclear	3.629	3.496	2.995	3.745	4.291	3.539	2.817
	df	1	1	1	1	1	1	1
	F-Value	0.466	<b>11.178*</b>	<b>3.920*</b>	3.679	0.107	0.187	0.066

	Significance	0.495	0.001	0.048	0.055	0.744	0.667	0.797	
<b>Age</b>	18-24	3.337	3.171	2.630	3.787	4.197	3.22	3.030	
	25-34	3.495	3.594	2.993	3.622	4.325	3.463	2.410	
	35-44	3.336	3.619	2.771	3.452	4.285	3.476	3.107	
	45-59	3.624	3.284	2.961	3.877	4.174	3.519	2.970	
	60 and above	3.874	3.494	3.031	3.863	4.383	3.652	2.907	
	df	4	4	4	4	4	4	4	
	F-Vale	<b>23.462*</b>	<b>9.464*</b>	<b>4.697*</b>	<b>6.139*</b>	<b>3.048*</b>	<b>3.637*</b>	<b>8.977*</b>	
	Significance	0.000	0.000	0.001	0.000	0.016	0.006	0.000	
<b>Marital Status</b>	Married	3.869	3.487	2.979	3.724	4.410	3.581	3.173	
	Unmarried	3.547	3.342	2.932	3.946	4.236	3.509	2.689	
	df	1	1	1	1	1	1	1	
	F-Value	<b>59.245*</b>	<b>7.851*</b>	0.805	<b>14.480*</b>	<b>9.290*</b>	1.596	<b>29.402*</b>	
		Significance	0.000	0.005	0.370	0.000	0.002	0.207	0.000
	Primary	2.996	3.284	2.793	3.577	3.888	3.438	2.544	
<b>Education</b>	M.E.	3.516	3.284	2.852	3.578	4.308	3.382	2.676	
	H.S.	3.635	3.409	3.078	3.688	4.266	3.568	2.666	
	Graduation	3.891	3.444	2.929	3.894	4.504	3.597	3.153	
	Master and Above	4.144	3.700	3.130	4.101	4.493	3.618	3.039	
	df	5	5	5	5	5	5	5	
	F-Value	<b>106.0*</b>	<b>9.790*</b>	<b>6.245*</b>	<b>12.384*</b>	<b>19.084*</b>	<b>2.456*</b>	<b>7.758*</b>	
		Significance	.000	0.000	0.000	0.000	0.000	0.032	0.000
<b>Employment</b>	Govt.	3.867	3.663	2.996	3.894	4.483	3.602	2.854	
	Pvt.	3.680	3.453	2.925	3.750	4.317	3.569	2.838	
	Self	3.688	3.909	3.090	3.515	4.181	3.636	2.954	
	Professional	3.438	3.242	2.970	3.764	4.124	3.531	2.783	
	df	3	3	3	3	3	3	3	
	F-Value	<b>25.014*</b>	<b>18.178*</b>	.702	2.312	<b>9.648*</b>	<b>2.609*</b>	0.243	
		Significance	0.000	0.000	0.551	0.074	0.000	0.050	0.866
<b>Caste</b>	S.C.	3.533	3.595	2.585	3.535	4.205	3.690	2.982	
	S.T.	3.754	3.416	3.027	3.825	4.368	3.491	2.851	
	O.B.C.	3.541	3.553	3.146	3.730	4.276	3.548	2.815	
	General	3.674	3.282	2.843	3.884	4.248	3.493	2.760	
	df	3	3	3	3	3	3	3	
	F-Value	<b>7.525*</b>	<b>8.740*</b>	<b>18.800*</b>	<b>5.298*</b>	1.510	1.848	0.828	
		Significance	0.000	0.000	0.000	0.001	0.210	0.137	0.479
<b>Language</b>	Nepali	3.526	3.390	2.961	3.748	4.252	3.483	2.740	
	Bengali	4.104	3.744	2.968	3.915	4.482	3.759	3.091	
	Hindi	3.259	3.227	2.918	3.590	4.022	3.318	2.500	
	Others	3.839	2.833	3.000	4.125	4.312	3.541	3.687	
	df	3	3	3	3	3	3	3	

	F-Value	<b>66.687*</b>	<b>22.735*</b>	0.125	<b>5.389*</b>	<b>7.715*</b>	<b>8.562*</b>	<b>10.632*</b>
	Significance	0.000	0.000	0.945	0.001	0.000	0.000	0.000
<b>Region</b>	Rural	3.560	3.394	2.875	3.611	4.220	3.435	2.791
	Urban	3.691	3.465	3.017	3.898	4.328	3.595	2.848
	df	3	3	3	3	3	3	3
	F-Value	<b>11.50*</b>	2.210	<b>8.641*</b>	<b>28.571*</b>	<b>4.232*</b>	<b>9.443*</b>	0.480
	Significance	0.001	0.137	0.003	0.000	0.040	0.002	0.488
<b>Income</b>	Less than ₹10,000	3.321	3.237	2.845	3.543	4.115	3.502	2.720
	10k to 20k	3.552	3.488	3.033	3.730	4.270	3.51	2.633
	20k to 30k	3.918	3.674	3.118	3.985	4.426	3.602	2.852
	30k to 40 k	4.235	3.514	3.182	4.095	4.492	3.428	3.362
	₹40 and above	4.083	3.601	2.875	4.180	4.539	3.596	3.177
	Df	3	3	3	3	3	3	3
	F-Value	<b>52.640*</b>	<b>9.422*</b>	<b>4.700*</b>	<b>14.558*</b>	<b>8.364*</b>	<b>1.025*</b>	<b>6.037*</b>
	Significance	0.000	0.000	0.000	0.000	0.000	0.407	0.000

*Source: Compiled from the Field Survey, 2016-17*

*Note: \* Symbol indicates significant at 5% level*

Table 5.7 shows the analysing mean scores of different financial literacy factors on various socioeconomic factors. The mean score of male respondents in the extracted Factor 1 (financial behaviour), Factor 2 (skill in dealing with the finance), factor 3 (financial level of awareness) and Factor 5 (financial attitudes) is higher as compared to the female respondents. Whereas female score higher in Factor 4 (knowledge on dealing with financial situation), Factor 6 (financial planning) and Factor 7 (knowledge in diversification and attitude towards finance). ANOVA results suggest that the mean scores of gender is statistically significantly different with financial literacy factors 1 and 5 i.e. “financial behaviour” and the “financial attitude”.

On the basis of the Family status, factors 2 and 3 i.e. “financial behaviour” and “skill in dealing with the finance” shows the statistically significant. Table 5.7 reveals that the mean score of the joint family was more in factors 1, 4 and 7 i.e. “financial

behaviours”, “knowledge in dealing with the financial situations” and “knowledge in diversification and attitude of the finance” as compared to nuclear family. It was also found that families with dependent individuals were more prone to show low financial literacy levels.

Table 5.7 also reveals that for first, third, fifth and sixth factors i.e. Financial behaviour, financial level of awareness, financial attitude and Financial planning, respondents in the age group of 60 and above years had the high mean value. Similarly, in case of the second factors ‘skill in dealing with the finance’, respondents in the age group of 35-44 showed the high mean score as compared to other age groups. Thus who are in the age group of 45-59 years scored high on the fourth financial literacy factor i.e. ‘Knowledge in dealing with financial situations. Regarding age, it has been found that financial literacy tends to be higher in the middle and elderly age of their life cycle and lower among young individual. ANOVA results suggested that there are statistically significant differences between the age and aforesaid seven extracted factors.

On the basis of the marital status, married respondents had higher mean value for all financial literacy factors except in extracted factor four i.e. “financial level of awareness”. Results shown by Marzieh et al. (2013)<sup>10</sup>, point out that married people and men are more financially literate than unmarried people.<sup>lxxxviii</sup> ANOVA results shows that differences in mean scores based on marital status was not significant for the factor 3 and 6 i.e. financial level of awareness and financial planning and attitude towards financial situation.

Table 5.7 also depicts the mean values of seven extracted factors with respect to different education level. For all financial literacy factors except in ‘financial attitude’

and 'knowledge in diversification and attitude towards the financial situation' respondents possessing post graduate and above degree scored highest. However, Chen and Volve (1998)<sup>11</sup>, when examine students' knowledge on personal finance and management, found that students, regardless of their educational degree, had an inadequate knowledge level, particularly with regard to investments in different financial instruments. ANOVA results indicate that there is significant differences in mean score on the basis of education for different financial literacy factors..

Govt. Employees scored higher mean values on the factors 1,4 and 5 i.e. financial behaviours, knowledge in dealing with their financial situations and Financial attitude. Skill in dealing with the finance, financial level of awareness, financial planning and knowledge in diversification and attitude towards financial situation showed high mean score by self-employees as compared to the other nature of employees. Results of ANOVA indicate that difference in mean value based on nature of employment was significant for financial literacy first, second, fifth and sixth factors.

S.T. category respondents scored higher on factor 1 and 5 i.e. 'financial behaviour' and 'financial attitude. For factors 2, 6 and 7 i.e. skill in dealing with the finance, financial planning, knowledge in diversification and attitude towards financial situation, S.C. category respondents scored high. O.B.C category of respondents scored higher on factor 3 (financial level of awareness) Lastly, for factor 4 i.e. 'knowledge in dealing with the financial situation' showed high mean score by the general category respondents. ANOVA results suggest that there is statistically significant differences between the mean score of caste category respondents and the factor 1, 2,3 and 4 i.e. 'financial behaviour', 'skill in dealing with the finance',

‘financial level of the awareness’ and ‘knowledge in dealing with the financial situations’.

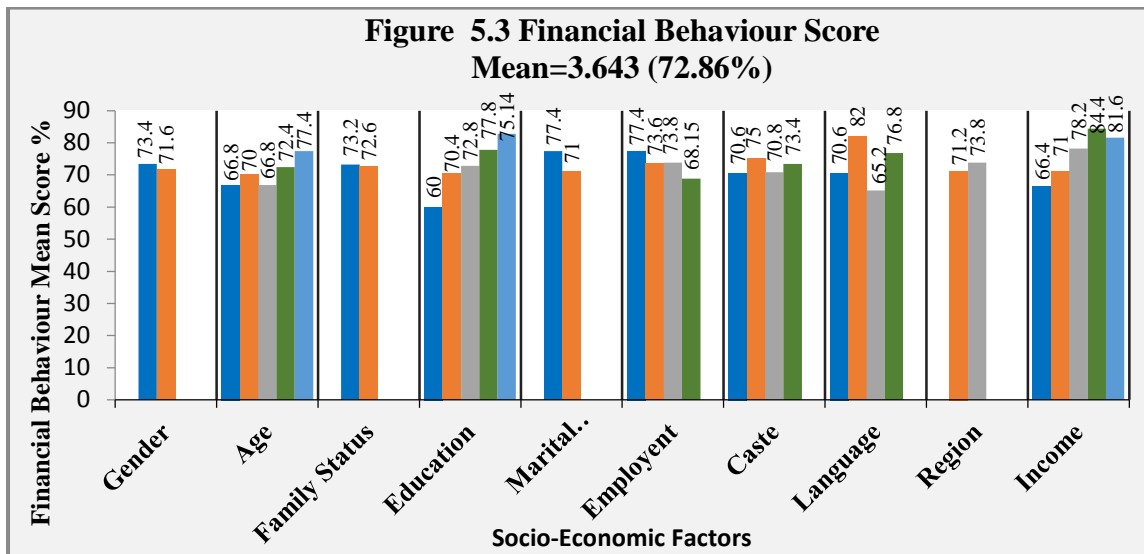
The mean score for factor 1,2,3,4 and 6 i.e. financial behaviour, skill in dealing with the finance, financial level of the awareness, knowledge in dealing with the financial situation, financial planning showed high by the Bengali speaking respondents. For factor 7 i.e. ‘Knowledge and attitude of the finance’ the other speaking respondents showed the high mean scores. ANOVA results suggested that there is association between and all extracted factors except in factor 3 i.e. ‘financial level of awareness’.

On the basis of geographical region, urban respondents scored high in all seven extracted factors. Bumcrot and Lusardi (2011)<sup>12</sup>, found that there was considerable geographic variation in financial literacy. ANOVA results suggested that mean scores of urban and rural are statistically significantly difference for factor 1,3,4,5 and 6 i.e. ‘financial behaviours’, ‘financial level of awareness’, ‘knowledge in dealing with financial situations’, ‘financial attitude’ and ‘financial planning and savings behaviours’.

On the basis of income, respondents whose income category (₹30k to ₹40k) scored highest on factor 1, 3, and 6 i.e. ‘financial behaviour’, ‘financial level of the awareness’ and ‘financial planning. Those whose income fall in 40k and above scored more mean value on factor 2, 4 and 5 i.e. ‘skill in dealing with finance’ knowledge in dealing with the finance and financial attitude. Lastly for factor 7 (knowledge in diversification and attitude towards financial), shows the high mean scores by those respondents whose income fall in between ₹20k to ₹30k. Regarding income, Turnham (2010)<sup>13</sup>, suggest that educating low-income and vulnerable population about financial concepts is important<sup>lxxxix</sup>. ANOVA results suggest that there are

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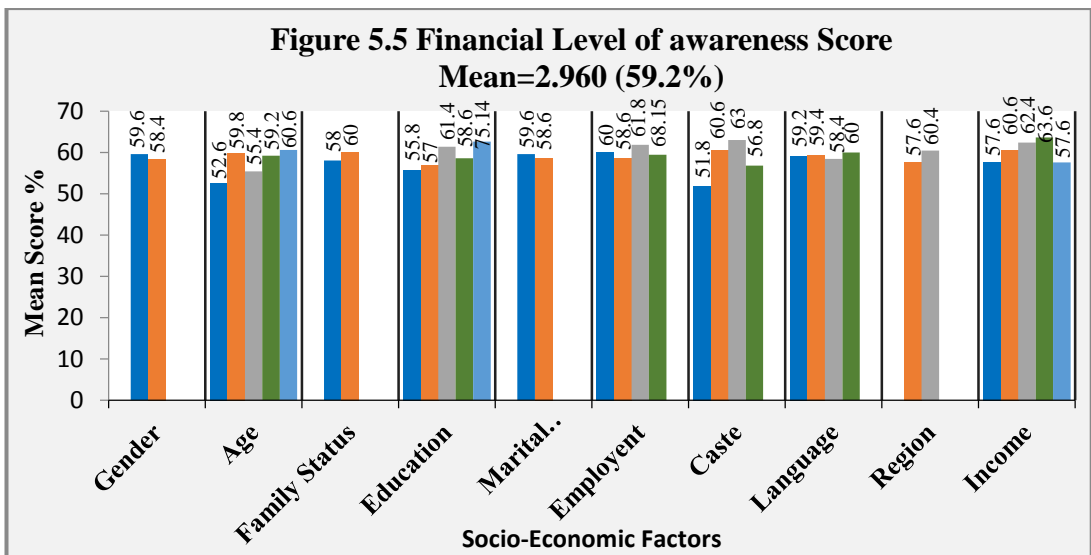
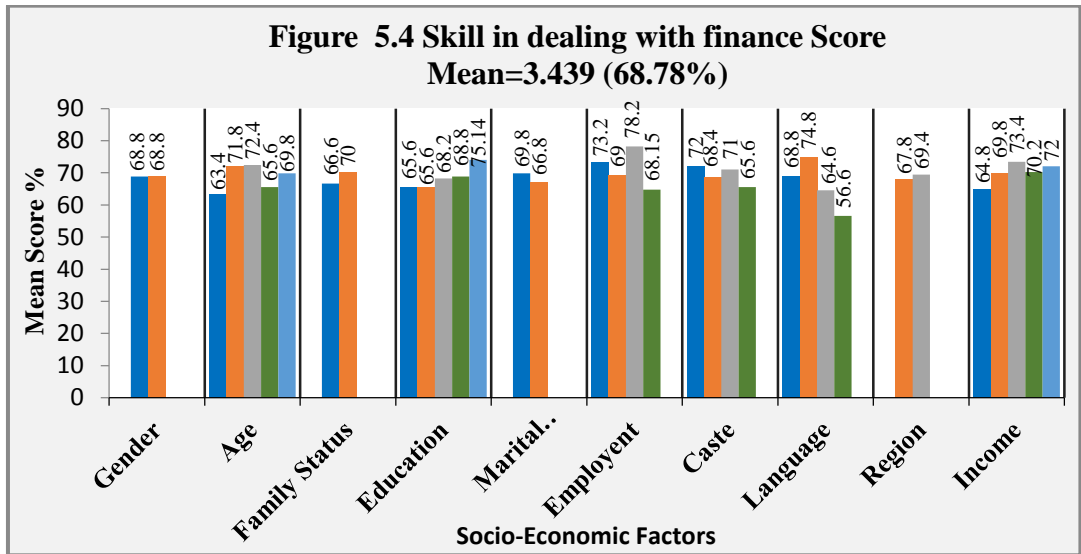
statistically significantly different between the financial literacy factors and income groups of the respondents.

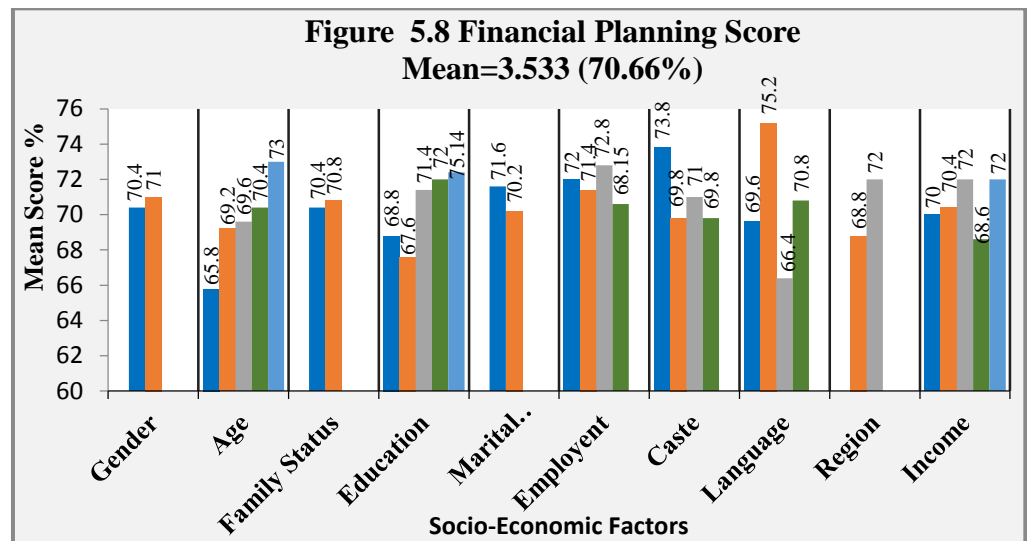
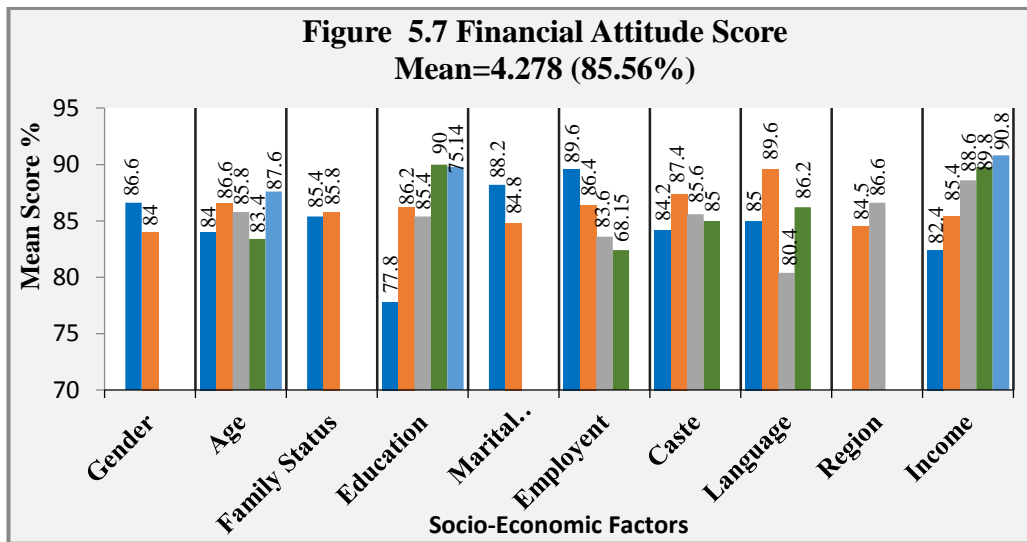
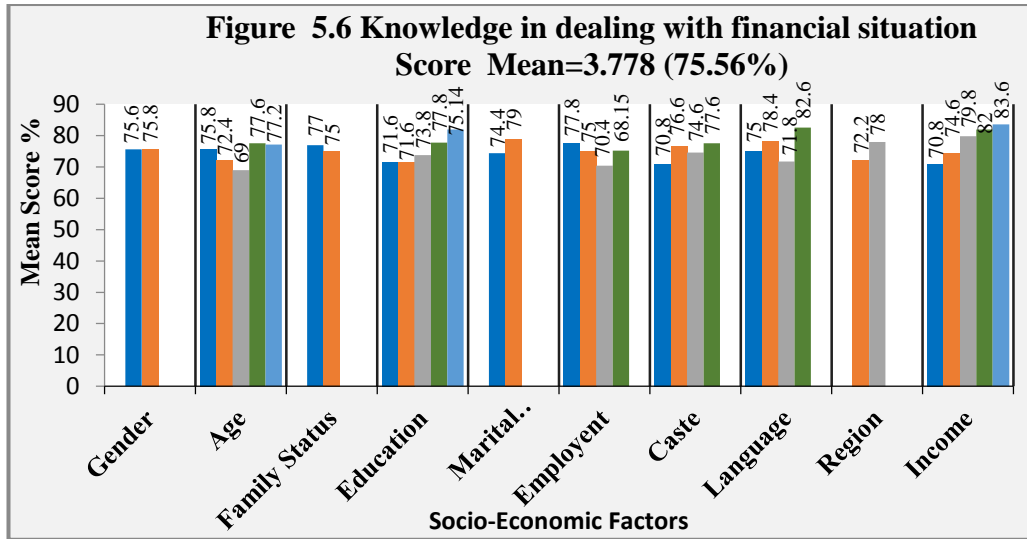


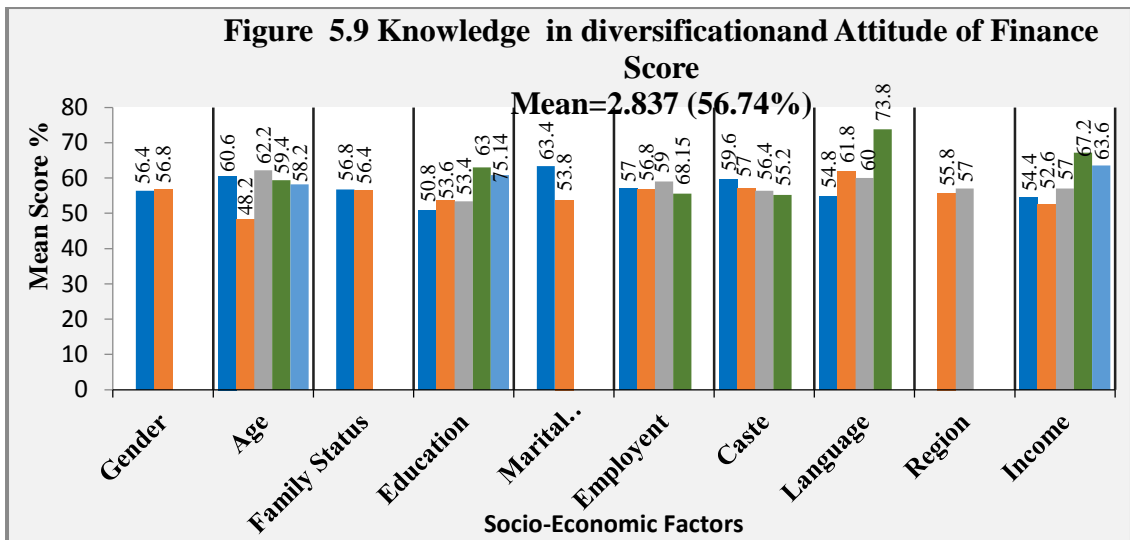
**Note:**

<b>Gender:</b> Male Female	<b>Family Status:</b> Joint Nuclear	<b>Region:</b> Rural Urban
<b>Education:</b> Primary M.E. H.S. Graduation Master and Above	<b>Employment:</b> Govt. Pvt. Self Professional	<b>Language:</b> Nepali Bengali Hindi Others
<b>Age:</b> 18-24 25-34 35-44 45-59 60 and above	<b>Caste:</b> S.C. S.T. O.B.C. General	<b>Income:</b> Less than ₹10,000 ₹10k to ₹20k ₹20k to ₹30k ₹ 30k to ₹40 k ₹ 40 and above
<b>Marital Status:</b> Married Unmarried		









## 5.4 Overall Levels of Financial Literacy

This chapter creates an indicator of overall level of financial literacy, by adding the individual score of five-dimension: financial knowledge, financial attitude, financial behaviour, financial skill and financial awareness. In addition to counting the high scores, we have summed the five scores of each dimension into an overall indicator of financial literacy which takes values from 1 to 25. Thus, the financial literacy score can have minimum value of 1 and maximum value of 25. Since the score on five components (knowledge, Attitude, Behaviour, Skill and Awareness) have different maximum values, the combined score is implicitly weighted. The maximum financial literacy score for financial literacy is 25 (5 for financial knowledge, 5 for financial attitude, 5 for financial behaviour, 5 for financial skill and 5 for financial awareness). The average score of financial literacy across all participating respondents of Darjeeling district is just 17.350 (69.402%) out of possible 25. It was observed for the entire sample, which indicates that overall financial literacy level of respondents is high in Darjeeling district. Table 5.8 reveals that respondent's composite financial literacy varies with their socio-economic characteristics. In order to study the association between various socio-economic factors and the level of financial literacy

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of individual, one-way ANOVA (Analysis of Variance) was used on the overall score of financial literacy. Table 5.8 indicates the mean Score of financial literacy level and corresponding ANOVA results.

#### **5.4.1 Hypotheses**

In order to understand the association between various socio-economic factors and level of composite financial literacy, following null ( $H_0$ ) and alternative ( $H_a$ ) hypotheses have been proposed. The hypotheses had been tested with the help of ANOVA at 5% significance level.

##### **Hypothesis 1**

$H_{011}$ : There is no association between gender and financial literacy.

##### **Hypothesis 2**

$H_{012}$ : There is no association between family status and financial literacy.

##### **Hypothesis 3**

$H_{013}$ : There is no association between ages and financial literacy.

##### **Hypothesis 4**

$H_{014}$ : There is no association between marital status and financial literacy.

##### **Hypothesis 5**

$H_{015}$ : There is no association between Education and financial literacy.

##### **Hypothesis 6**

$H_{016}$ : There is no association between Employment and financial literacy.

##### **Hypothesis 7**

$H_{017}$ : There is no association between Caste and financial literacy.

##### **Hypothesis 8**

Ho<sub>18</sub>: There is no association between Language and financial literacy.

**Hypothesis 9:**

Ho<sub>19</sub>: There is no association between Region and financial literacy.

**Hypothesis 10:**

Ho<sub>20</sub>: There is no association between Income and financial literacy.

**Table 5. 8: Financial Literacy Composite Score**

		<i>Composite Financial Literacy Score</i>	<i>Composite Financial Literacy Score(%)</i>	<i>F Value</i>	<i>Significance</i>
Gender	Total Sample	17.3505	69.402	5.563	<b>0.018</b>
	Male	17.3369	69.3476		
	Female	17.3851	69.5404		
Family Status	Joint	17.3145	69.258	3.367	0.67
	Nuclear	17.37	69.48		
Age	18-24	16.743	66.972	21.305	<b>0.000</b>
	25-34	17.09	68.36		
	35-44	17.273	69.092		
	45-59	17.3395	69.358		
	60 and above	17.7325	70.93		
Marital Status	Married	17.6785	70.714	35.026	<b>0.000</b>
	Unmarried	17.2285	68.914		
Education	Primary	16.123	64.492	95.870	<b>0.000</b>
	M.E.	16.835	67.34		
	H.S.	17.312	69.248		
	Graduation	17.74	70.96		
	Master and Above	18.7865	75.146		
Employment	Govt.	17.7385	70.954	29.425	<b>0.000</b>
	Pvt.	17.3715	70.954		
	Self	17.9275	69.486		

	Professional	17.0385	71.71		
Caste	S.C.	16.743	68.154	9.665	<b>0.000</b>
	S.T.	17.6285	66.972		
	O.B.C.	17.321	70.514		
	General	17.3565	69.284		
Language	Nepali	17.0035	69.426	65.014	<b>0.000</b>
	Bengali	18.626	68.014		
	Hindi	16.5025	74.504		
	Others	18.175	66.01		
Region	Rural	16.995	70.446	52.065	<b>0.000</b>
	Urban	17.6115	72.7		
Income	Less than 10,000	16.5795	67.98	49.226	<b>0.000</b>
	10k to 20k	17.433	66.318		
	20k to 30k	17.9485	69.732		
	30k to 40 k	19.018	71.794		
	40 and above	19.6	76.072		

*Source: Compiled from the Field Survey,2016-17*

#### **5.4.2 Association between gender and financial literacy**

In the above Table 5.8, summarises that the mean score of composite financial literacy level of male and female respondents. Table 5.8 reveals that the overall financial literacy mean score shown by the female respondents is highest as compared to male. The mean score of male respondents was found to be 17.3369 (69.3476%) and that of female respondents was found to be 17.351 (69.54%). From the Table 5.8, it can be reveals that F value is significant at 5 % level, hence  $H_{01}$  gets rejected, which shows that there is a significant difference between male and female respondents in terms of financial literacy level.

#### **5.4.3 Association between family status and financial literacy**

Table 5.8 shows that, the mean score of financial literacy level of family status. The results indicate that the composite Financial literacy mean score shown by the joint

and nuclear respondents almost same. The mean score of joint family was found to be 17.3145 (69.258%) and that of nuclear family was found to be 17.3 (69.48%). From the Table 5.8, it can be reveals that F value is not significant at 5 % level, hence  $H_{02}$ - there is no association between family status and financial literacy level of respondents gets accepted, which shows that there is a no significant difference between joint and nuclear family respondents in terms of financial literacy level. Hence it can be said that financial literacy level does not depends on type of family status.

#### **5.4.4 Association between Age and financial literacy**

Table 5.8, indicate the mean score of composite financial literacy level of different ages group respondents. Maximum financial literacy score of 17.7325(70.93%) was shown by respondents falling in the age group of 60 years and more followed by 17.273 (69.092%) for the age group of 45-59 years. Minimum financial literacy score of 16.743(66.972%) was shown by respondents falling in the age group of 18-24 years. It has observed that the financial literacy score increases with respect to the age. It has been observed that financial literacy tends to be higher among adults in the middle of their life cycle, and it is usually lower among young and elderly individuals. From the Table 5.8, it can be seen that F value is significant at 5 % level, hence  $H_{03}$ - association between ages and financial literacy level of respondents gets rejected, which shows that there is a significant difference between ages and financial literacy level. Hence it can be said that financial literacy level does depend on age.

#### **5.4.5 Association between Marital Status and Financial Literacy**

From Table 5.8, it can be seen that mean composite financial literacy score of married respondents was 17.6785 (70.71%) and unmarried respondents was found to be

17.2285(68.91%). From the Table 5.8, reveals that F value is significant at 5% level, hence  $H_{04}$ - association between marital status and financial literacy level does depend on the marital status.

#### **5.4.6 Association between Education and Financial Literacy**

Table 5.8, indicate that financial literacy is correlated with the level of education. It has also observed that the higher the education level led greater towards the financial literacy. Table 4.8 shows that the financial literacy is highest for respondents who have master and above degree 18.79 (75.146%) followed by those respondents who have graduation degree 17.74 (69.248%). The mean composite financial literacy score having primary education degree respondents was 16.123 (64.49%). From the table it can be seen that F value is significant at 5% level, it can be concluded that financial literacy level does depend on the education.

#### **5.4.7 Association between Employment and Financial Literacy**

From Table 5.8, shows the association between employment and financial literacy. Table 5.8 shows that self-employees have higher financial literacy level 17.04(71.71%), followed by the Government employees' respondents 17.74 (70.96%). From the Table 5.8, it can be seen that F value is significant at 5% level, hence  $H_{06}$  - There is association between employment and financial literacy level does gets rejected. Thus it can be concluded that financial literacy level depends upon the nature of employment.

#### **5.4.8 Association between Caste and Financial Literacy**

According to the caste category, natures of caste have been categorized into four types- S.C., S.T., O.B.C and General. From the result of Table 8, it can be understand



that financial literacy level of respondents in term of caste category is different. The highest composite financial literacy mean score was shown by S.T. respondents 17.6285 (70.514%), and followed by general category respondents 17.3565(69.426%). Minimum financial literacy score was shown by S.C. category respondents 16.743 (68.154%). From the table it can be seen that F value is significant at 5% level, hence  $H_{06}$ - There is association between Caste category and financial literacy level gets rejected. Thus it can be inferred that financial literacy does depend on the status of caste category.

#### **5.4.9 Association between Language and Financial Literacy**

Table 5.8, reveals that the financial literacy level of respondents in term of Language. On the basis of language we have divided respondents into four types- Nepali, Bengali, Hindi and others. From the results it is clear that bengali speaking respondents are more financial literate as compared to other language groups. The Financial literacy means score of Bengali respondents was 18.626 (74.504%), followed by other speaking respondents was 18.175(72.7%) and Nepali speaking respondents was 17.003(68.012). From the Table 5.8, it can be seen that F value is significant at 5% level, hence  $H_{08}$  - There is association between language and financial literacy level gets rejected and it can be concluded that financial literacy level does depend on the language.

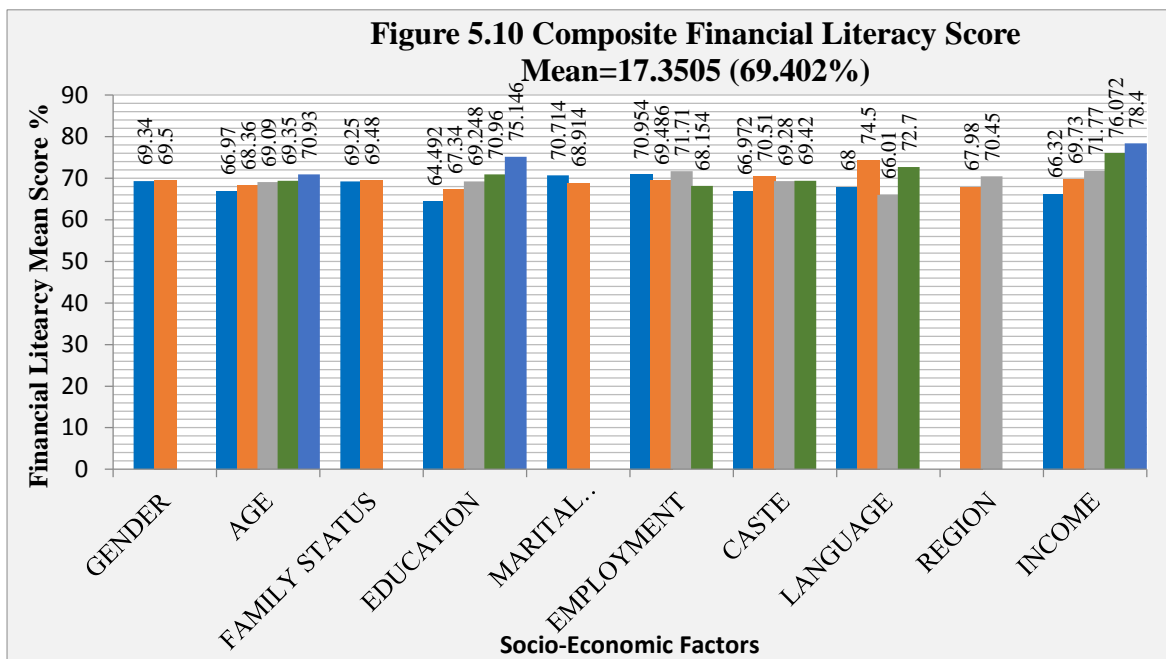
#### **5.4.10 Association between Region and Financial Literacy**

From Table 5.8, depicts financial literacy level of respondents in term of geographical region. Table 5.8 depicts mean financial literacy score was higher of urban respondents 17.6115 (70.446%) as compared to rural respondents 16.995(67.98%), From the Table 5.8, it can be seen that F value is significant at 5% level, hence  $H_{08}$  -

association between region and financial literacy level gets rejected and it can be conclude that financial literacy does depend on geographical region.

#### 5.4.11 Association between Income and Financial Literacy

From Table 5.8, it reveals that, there are variations of financial literacy level of respondents in term of Income. Table 5.8 shows that financial literacy level is highest for respondents having income level ₹ 40k and above per month ₹ 19.6(78.4%) followed by those who earn between ₹ 30 k to ₹ 40 k 19.018(76.072%).From the Table5.8, it highlighted that F value is significant at 5% level, hence  $H_{010}$ - There is association between Income and financial literacy level gets rejected . Finally it can be conclude that financial literacy level does depend on the Income.



**Note:**

<b>Gender:</b> Male Female	<b>Family Status:</b> Joint Nuclear	<b>Region:</b> Rural Urban
<b>Education:</b> Primary M.E. H.S. Graduation	<b>Employment:</b> Govt. Pvt. Self Professional	<b>Language:</b> Nepali Bengali Hindi Others

Master and Above		
<b>Age:</b> 18-24 25-34 35-44 45-59 60 and above	<b>Caste:</b> S.C. S.T. O.B.C. General	<b>Income:</b> Less than 10,000 10k to 20k 20k to 30k 30k to 40 k 40 and above
<b>Marital Status:</b> Married Unmarried		

### 5.3.12 Conclusion

The result of this study assists the households of Darjeeling district in personal financial management and it also indicates that financial literacy programmes can impart sizeable influence on the respondents for financial decision making and practices. It should be noted that in Darjeeling district, plantation workers, marginal farmers, landless labourers, workers in unorganized sectors, migrants workers, ethnic minorities and other socially excluded groups are excluded from financial inclusion. Proximity of the banks is also one of the reasons of being financially excluded. Apart from proximity of banks, the respondents have also been deprived of many impediments such as absence of financial literacy awareness programs, social deprivation, income uncertainty and instability of Govt Policy. The financial knowledge, financial attitude, financial behavior, financial Skill and financial awareness level about finance vary according to the socio-economic status of the respondents. The researcher reached overall conclusion that economically marginalised household of Darjeeling district is neither skilled nor knowledgeable in financial matters and that this would have a negative impact on their future lives through the incompetent financial management. The agents, financial advisor, enumerators, certified financial planners and business correspondents would act as a

catalyst to promote financial literacy. Future research should examine the effect of financial education made available to the plantation workers, marginal farmers, landless labourers and other financially excluded groups.

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## **CHAPTER 6**

### **FINANCIAL LITERACY: A COMPARATIVE STUDY IN HILL AND PLAIN REGIONS**

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#### **6.1 Introduction**

This chapter attempts to make a comparative study of financial literacy amongst the households between the hilly region and plains of Darjeeling district, West Bengal. Finance or money plays a pivotal place in the life of a person, irrespective of age, gender, education, income, caste or religion (Mahapatra & Das, 2017)<sup>1</sup>. This chapter comprises with the analysis of data and interpretations of results related to financial literacy in the hills and plains region. Financial Literacy of Darjeeling District has been assessed by adopting the holistic approach. Under this approach, financial literacy has been measured by combining its five basic dimensions, i.e. financial knowledge, financial attitude, financial behavior, financial skill and financial awareness. A quantitative measure of financial literacy was developed based on responses to the five latent variables of financial literacy questions. The five latent variables included the questions pertaining to the knowledge, attitude, behaviour, skill and awareness. The five questions included in each of the latent variables of the financial literacy. The results relating to financial knowledge, financial attitude, financial behaviour, financial skill and financial awareness have been presented and discussed. This chapter also describes and explains in detail the analysis and interpretation of the data collected from the respondents in the hills and plains region of the Darjeeling district concerning to the awareness level and investment preferences of various financial instruments. The factors affecting the investment decision in both the region (Hills and Plains) have also been discussed. The purpose of this study was to analyse the relationship between the influence of socio-economic

characteristics on financial knowledge, financial attitude, financial behaviour, financial skill and financial awareness. The financial literacy of the households was assessed using a selection of questionnaires from the OECD. This chapter aims to fill a gap in the research of financial literacy by analysing the associations between financial literacy and financial experience across socio-economic/demographic hilly region and plains of Darjeeling District. The district is divided into two broad divisions: hills and plains. The people of hilly region of Darjeeling district are different than the plains in term of social, cultural, economical, environment, education, political and so on. Financial pressure is often dependent on time or social status rather than the amount of money required to address the issue (Moulick, 2008)<sup>2</sup>. There are three sub-division in Darjeeling district namely Darjeeling Sadar, Kalimpong and Kurseong constitute the hilly region and the Siliguri subdivision is in the plains.

## **6.2 Hills Region**

In the hilly region of Darjeeling district, agriculture is the main occupation and they are mainly engaged with the tea industry and cinchona plantation(Sharma, Gopal 2014)<sup>3</sup>. Darjeeling produces 7% of India's tea output, approximately 9,000,000 kilograms (20,000,000 lb) every year<sup>4</sup>. Apart from tea industry, tourism in the District is also another source of income of the people in the hills region. It is located in the Lesser Himalayas at an elevation of 6,700 ft (2,042.2 m). Hilly region of Darjeeling district have limited infrastructure and poor communication options as compared to plains, making it a difficult to operate financial services cost-effectively. Financial Literacy has an important and significant role with regard to the financial infrastructure of an economy (Vibhuti & Pradeep, 2017)<sup>5</sup>.



### **6.3 Plains Region**

The town of Siliguri, is 396 feet above the sea level and is situated at 26" 43' N latitude and 88" 24' E longitude, in the base of the Himalaya mountains in the plains of Darjeeling District by the side of the river Mahananda<sup>7</sup>. Siliguri has emerged as a centre of communication, trade-commercial and transshipment of the entire Northeast India and it is connected with a border of four international countries like Nepal, Bhutan, Bangladesh and China. There are diversified occupational pursuits and different ways of survival can be easily availed in Siliguri.

### **6.4 Analysis and Results**

In order to measure and compare the level of Financial Literacy in the hills and plains region of Darjeeling district, the construct was fully developed by the researchers as unidimensional variable. The level of financial literacy of the respondents is measured by conceptualizing the basic parameters OECD approach. The Organisation for Economic Co-operation and Development defines financial literacy as –A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing (A & F, 2012)<sup>6</sup>.The questionnaire focuses on those aspects of knowledge, attitudes and behaviors, skill and awareness that are associated with the overall concept of financial literacy. The questionnaire is specifically designed to be applicable across respondents of different geographical region (hills and plains), education, occupations, and income levels as well as in current markets with different levels of financial services and inclusion. Each question is designed to be asked in the same way in each region. After that the mean score of the respective financial literacy

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<sup>7</sup><https://www.latlong.net/place/siliguri-west-bengal-india-18183.html>

questionnaires were measured. In order to measure the financial literacy mean score of the respondents' total of 25 statements (Table 6.1) were used in the study and responses were measured on a 5 point Likert scale assigning 1 to 'strongly disagree' and 5 to 'strongly agree'. The financial literacy mean score of each statement is computed as the summated values for each statement and then divided by total respondents of each region. The summary statistics of financial literacy mean score in the hilly region and plains of Darjeeling district are presented in the Table 6.1 and Figure 6.1. From the given (table 6.1 and figure 6.1), the mean score obtained from different statements representing the level of financial literacy.

**Table 6.1 Descriptive Statistics of financial literacy Mean Score in the hill and plain regions of Darjeeling district**

Latent Variables	Questions Code	Variables	Purpose	Mean (Hills)	Mean (Plains)	Possible Response
<b>Knowledge</b>	QK1	Time Value of Money	To test whether respondent understands time value of money.	3.7767 (75.53)	3.7879 (75.75)	<b>5 point scale:</b> 1=Strongly disagree (Maximum Score: 5 and Minimum Score: 1)
	QK2	Investment with High risk and Return.	To test whether respondent understands the typical relationship between investment risk and return	3.699 (73.98)	3.5767 (71.53)	
	QK3	Inflation	To test respondents ability to understand how inflation impacts on purchasing power.	3.6574 (73.14)	4.1034 (82.06)	
	QK4	Diversification	To test whether respondent is aware of the benefit of diversification	3.0513 (61.02)	3.1155 (62.31)	
	QK5	Financial Numeracy	To test whether respondent is aware of the benefit of compound interest.	3.2937 (65.87)	3.4348 (68.69)	
<b>Attitude</b>	QA1	Financial Planning	To identify Whether the households possess good attitude towards financial planning .	4.1786 (83.57)	4.4293 (88.58)	
	QA2	Spending Literacy	To identify Whether the households possess appropriate attitude towards spending money.	4.1782 (83.56)	4.1672 (83.34)	
	QA3	Saving	To identify Whether the households possess positive	4.0684 (81.36)	4.1457 (82.91)	

			attitude towards savings.		
	QA4	Risk handling	To identify Whether the households possess correct attitude towards financial risks.	3.0994 (61.98)	3.2647 (65.29)
	QA5	Financial Situation	To identify Whether the households possess good attitude about financial situations.	2.3684 (47.36)	2.2179 (44.35)
<b>Behaviour</b>	QB1	Financial Planning	To understand Whether the households possess feasible financial behaviour towards financial planning.	3.3987 (67.97)	3.6353 (72.70)
	QB2	Saving	To understand Whether the households possess amiable financial behaviour towards savings.	3.371 (67.42)	3.4371 (68.74)
	QB3	Borrowing	To understand Whether the households possess justified financial behaviour towards borrowing.	4.0854 (81.70)	4.444 (88.88)
	QB4	Investing	To understand Whether the households possess sensible financial behaviour towards investment.	3.76 (75.20)	4.1181 (82.36)
	QB5	Financial Responsibility	To understand Whether the households possesses good financial behaviour towards sources of information before making investment.	3.862 (77.24)	4.0983 (81.96)
<b>Skill</b>	QS1	Debit and Credit Card	To Know Whether the households possess financial skill in debit and credit cards.	3.771 (75.42)	4.275 (85.50)
	QS2	Insurance	To Know Whether the households possess good financial skill in insurance.	2.8335 (56.67)	3.1017 (62.03)
	QS3	Savings	To Know Whether the households possess sound financial skill in savings.	3.3983 (67.96)	3.7009 (74.01)
	QS4	Budgeting	To Know Whether the households possess efficient financial skill in budgeting.	3.415 (68.30)	3.6572 (73.14)
	QS5	Spending	To Know whether the households possess good financial skill in spending.	3.2637 (65.27)	3.5021 (70.04)
<b>Awareness</b>	QAN*1	Digital Financial Literacy	To identify Whether the households are digitally aware of financial literacy.	3.33012 (66.60)	3.6228 (72.45)
	QAN2	Financial News	To identify Whether the households are updated with financial news with regards to the kind of shares, bonds, commodity market services being provided by the various financial institutions.	2.3941 (47.88)	2.6141 (52.28)
	QAN3	Television and Radio	To identify Whether the households are aware of television and radio programmes which advice in	2.799 (55.98)	3.0274 (60.54)

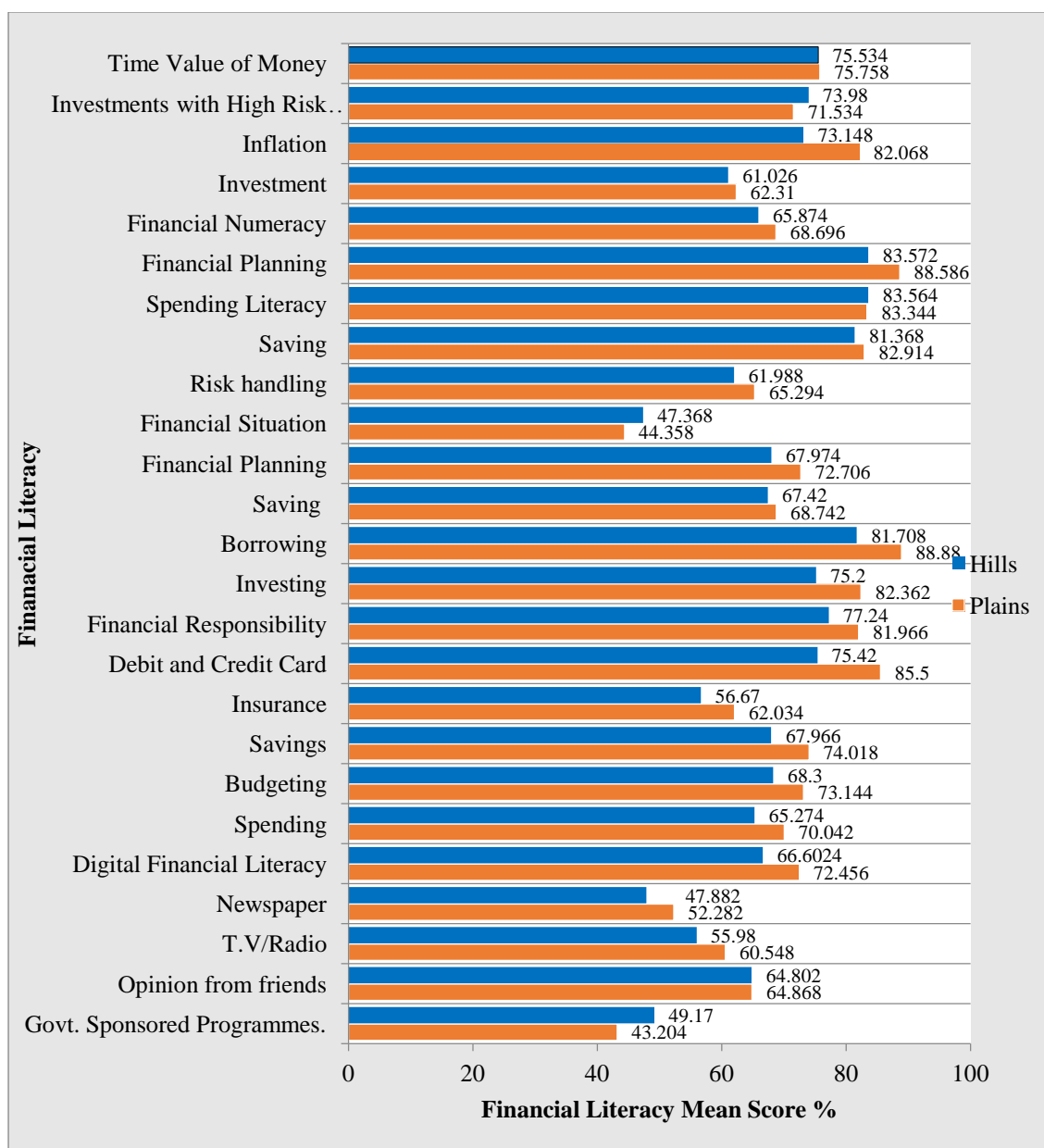
			various social securities investment avenues.			
	QAN4	Opinion from best buy guidance for investment in banking products.	To identify Whether the households are sensitized by their best buy guidance for investment in various banking products.	3.2401 (64.80)	3.2434 (64.86)	
	QAN5	Govt. Sponsored Programmes for improving saving habits.	To identify Whether the households are aware of programmes which Govt. sponsors in villages, locality for improving saving habits.	2.4585 (49.17)	2.1602 (43.20)	

*Source: Compiled from the Field Survey,2016-17*

*Note: figure in the parenthesis indicate percentages of the mean score.*

*AN\*-Awareness*

**Figure 6.1 Financial literacy mean score (percentages) in the hilly region and Plains**



Source: Compiled from the Field Survey, 2016-17

Table 6.1 and Figure 6.1, observed that the households in plains region showed highest mean score for most of the variables compared to hilly region of Darjeeling district. Few items like knowledge of financial risk and return (QK2), appropriate attitude towards spending money (QA2), attitude about financial situations (QA5) and awareness of Govt. sponsored programmes of financial literacy(QAN5) are shown highest mean score by the hilly region respondents. From the analysis of the Table 6.1, Page | 181

it was observed that the variables like good attitude towards financial planning (QA1), appropriate attitude towards spending money(QA2), positive attitude towards savings(QA3) and justified financial behaviours towards borrowing (QB3)was quite high in both the region. Majority of respondents gave a logical answer to the question designed to identify those who understand how inflation impacts on the prices of the goods. Financial literacy Mean score of attitude towards financial planning in the hilly region was 4.1789 (83.57%) and in the plains was 4.4293(88.59%). Similarly, Mean score of the appropriate attitude towards spending money in hilly region was 4.1782 (83.56%) and in plains was 4.1672 (83.34%). It can be concluded that both the region shows positive attitude towards financial literacy. The mean score of financial behavior towards borrowing (QB3) in the hilly region was higher 4.0854 (81.71%) as compared to plains 4.444 (88.88%) respectively. In term of awareness of Govt. sponsored programmes of financial literacy (QAN5) and attitude towards financial situation (QAN5) both the region showed less mean score. Awareness of Govt. sponsored programmes of financial literacy mean score in the hilly region was 2.4585 (49.17%) and in plains was 2.1602(43.20%). It can be concluded that the households of both the region are unaware of Govt. sponsored programmes of financial literacy and did not possess good attitude towards financial situations.

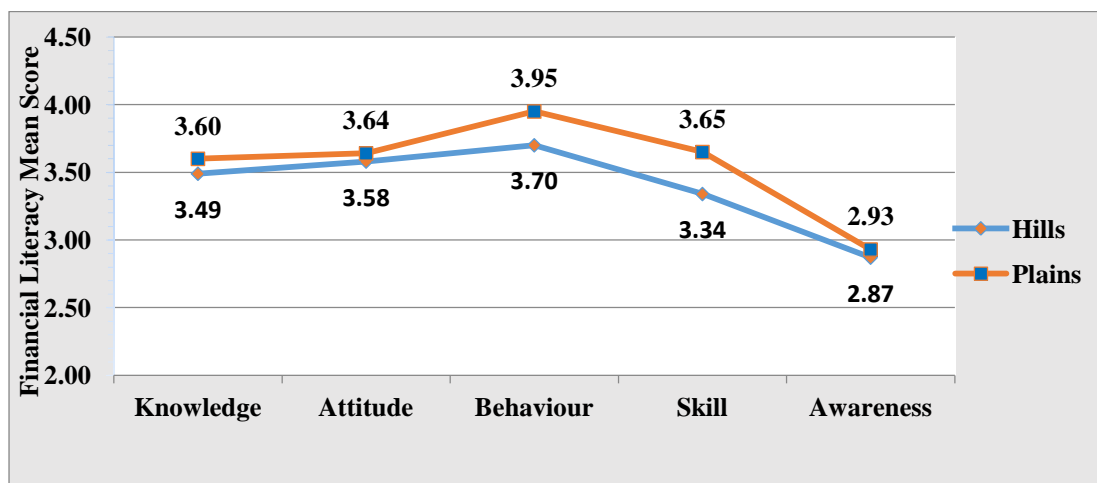
**Table 6.2 Composite Financial Literacy Mean Score**

Region	Knowledge	Attitude	Behaviour	Skill	Awareness	Composite Financial Literacy (K+A+B+S+A)
Hills	3.49 (69.8)	3.58 (71.6)	3.70 (74)	3.34 (66.8)	2.84 (56.8)	3.392 (67.84)
Plains	3.60 (72)	3.64 (72.8)	3.95 (79)	3.65 (73)	2.93 (58.6)	3.554 (71.08)

*Source: Compiled from the Field Survey, 2016-17*

*Note: figure in the parenthesis indicate percentages of mean score.*

**Figure 6.2 Financial Literacy Mean Score**



*Source: Compiled from the Field Survey, 2016-17*

Table 6.2 and Figure 6.2 reveals that the composite Financial literacy (Knowledge +Attitude+Behaviour+Skill+ Awareness) mean score shown highest by respondents in plains region 3.39(67.84%) as compared to hilly region 3.55(71.08%). Table 6.2 and Figure 6.2 also inferred that Financial behavior mean score was higher than the other components of financial literacy. Financial behaviors mean score in the hills was 3.70(74%) and in plains were 3.95 (79%). It inferred that the respondents from both the region possessed amiable financial behaviour towards financial planning, savings, borrowings and investment. Financial literacy awareness level mean score was low in both the region. The level of financial literacy awareness means score in the hills was 2.87(57.4%) and in the plains were 2.93(58.6%). The results also indicate that many households struggled with updated financial news and possessed less attitude towards financial situation, indicating the difficulties that respondents faced while making informed product choices.

**Table 6.3 Composite Financial Literacy Mean Score (%) with Socio-Economic Factors**

Socio-Economic Factors		<i>Composite Financial Literacy Mean Score (67.84% Hills)</i>	<i>Composite Financial Literacy Mean Score (71.08% Plains)</i>	Possible Response
	Total Sample	3.392 (67.84)	3.554 (71.08)	
Gender	Male	3.381 (67.629)	3.553 (71.066)	5 point scale: 1=Strongly agree; 5=Strongly disagree (Maximum Score: 5 and Minimum Score: 1)
	Female	3.431 (68.614)	3.519 (70.386)	
Family Status	Joint	3.416 (68.322)	3.509 (70.194)	
	Nuclear	3.338 (66.762)	3.609 (72.198)	
Age	18-24	3.235 (64.71)	3.461 (69.234)	
	25-34	3.276 (65.532)	3.559 (71.188)	
	35-44	3.278 (65.578)	3.630 (72.606)	
	45-59	3.338 (66.768)	3.597 (71.948)	
	60 and above	3.320 (66.41)	3.772 (75.45)	
Marital Status	Married	3.527 (70.556)	3.543 (70.872)	
	Unmarried	3.310 (66.204)	3.581 (71.624)	
Education	Primary	2.868 (57.36)	3.581 (71.624)	
	M.E.	3.190 (63.808)	3.543 (70.872)	
	H.S.	3.343 (66.872)	3.581 (71.624)	
	Graduation	3.552 (71.048)	3.543 (70.872)	
	Master and Above	3.581 (71.624)	3.933 (78.668)	
Employment	Govt.	3.632 (72.64)	3.463 (69.268)	
	Pvt.	3.359 (67.198)	3.589 (71.79)	
	Self	3.362 (67.258)	3.815 (76.302)	
	Professional	3.367 (67.352)	3.447 (68.956)	
Caste	S.C.	3.147 (62.946)	3.549 (70.998)	
	S.T.	3.567 (71.358)	3.483 (69.67)	
	O.B.C.	3.443 (68.86)	3.485 (69.708)	
	General	3.329 (66.584)	3.613 (72.268)	
Language	Nepali	3.377 (67.542)	3.424 (68.486)	

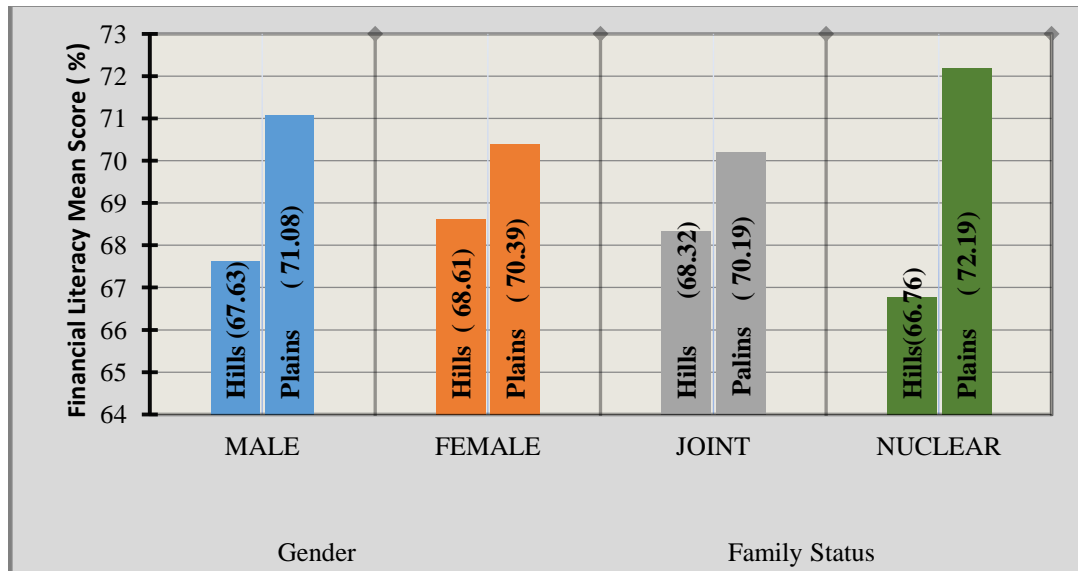


	Bengali	3.703 (74.068)	3.747 (74.94)
	Hindi	3.224 (64.49)	3.376 (67.53)
	Others	3.534 (70.686)	3.735 (74.714)
Region	Rural	3.395 (67.912)	3.649 (72.98)
	Urban	3.077 (61.548)	3.720 (74.412)
Income	Less than 10,000	3.217 (64.34)	3.414 (68.296)
	10k to 20k	3.47 (69.4)	3.503 (70.064)
	20k to 30k	3.434 (68.682)	3.745 (74.906)
	30k to 40 k	3.527 (70.544)	4.08 (81.6)
	40 and above	3.823 (76.464)	4.016 (80.336)

*Source: Compiled from the Field Survey,2016-17*

*Note: figure in the parenthesis indicate percentages of the mean score.*

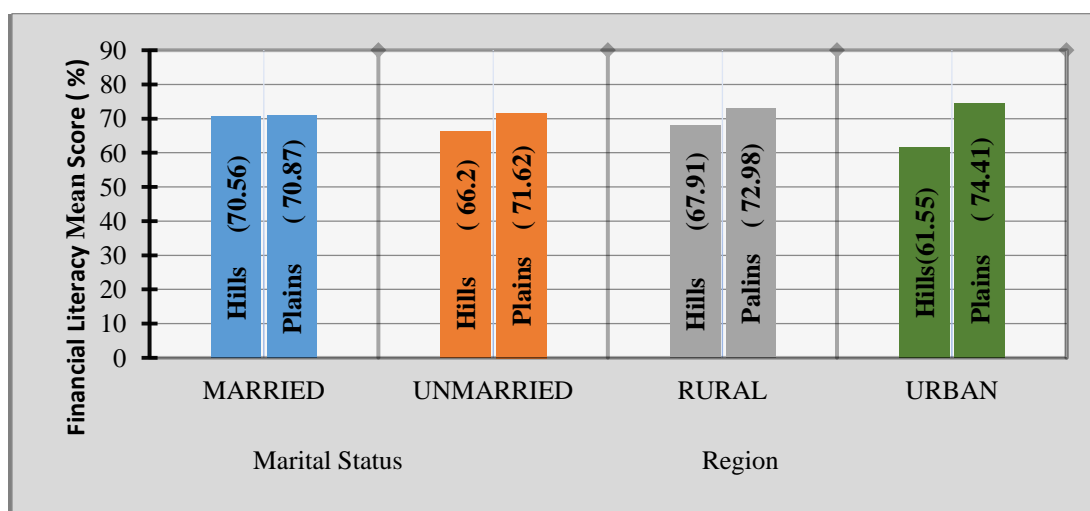
**Figure 6.3 Comparison of financial literacy Mean Score (%) with gender and family status.**



*Source: Compiled from the Field Survey,2016-17*

*Note: figure in the parenthesis indicate percentages of the mean score.*

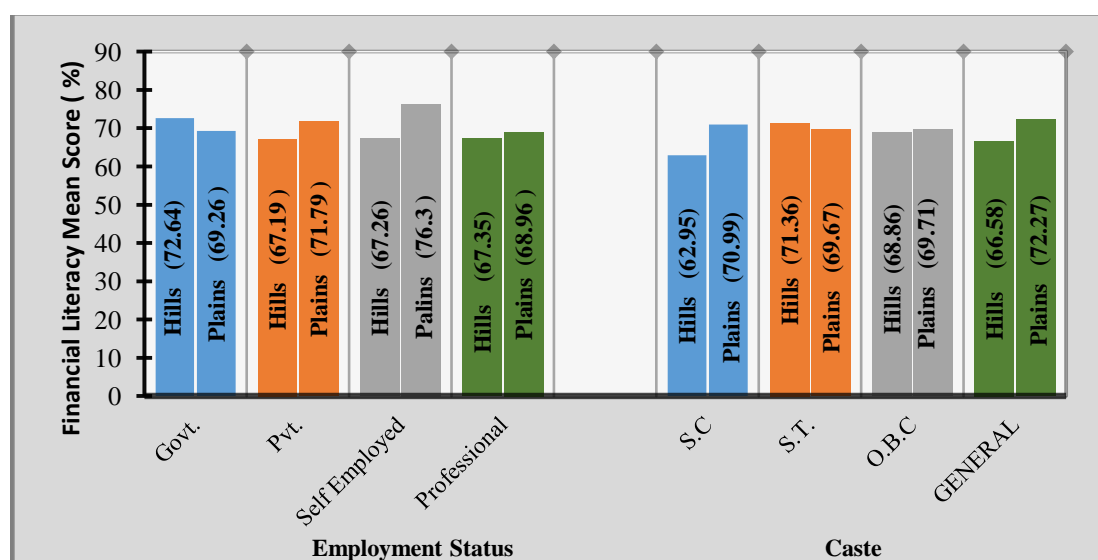
**Figure 6.4 Comparison of financial literacy Mean Score (%) with marital status and geographical region.**



Source: Compiled from the Field Survey,2016-17

Note: figure in the parenthesis indicate percentages of the mean score.

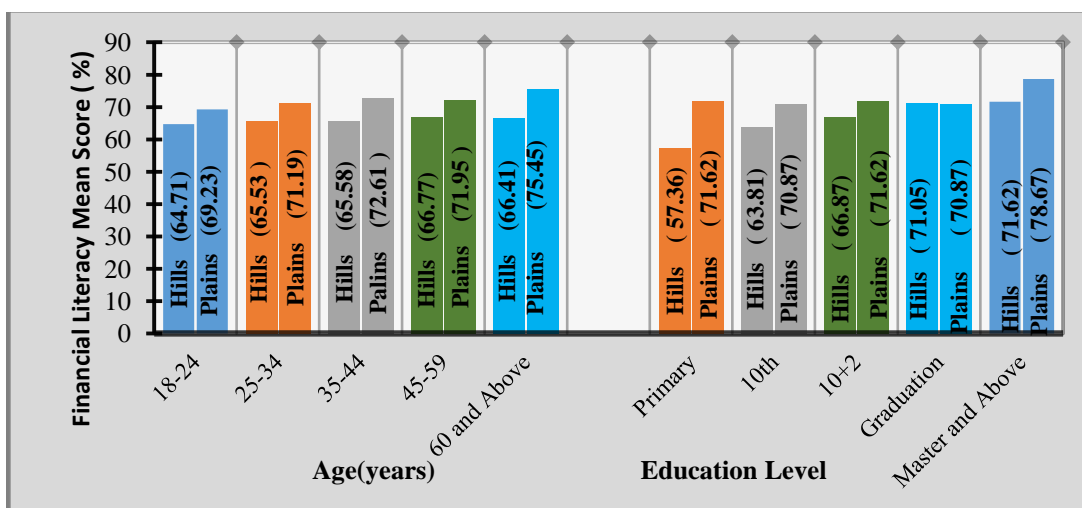
**Figure 6.5 Comparison of financial literacy Mean Score with employment status and caste category.**



Source: Compiled from the Field Survey,2016-17

Note: figure in the parenthesis indicate percentages of the mean score.

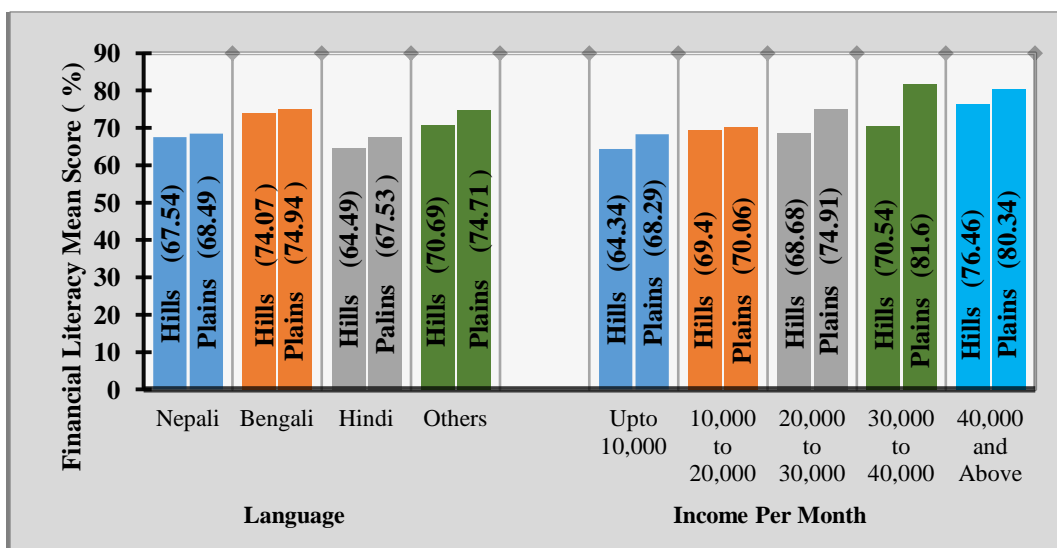
**Figure 6.6 Comparison of financial literacy Mean Score (%) with age and education level.**



Source: Compiled from the Field Survey, 2016-17

Note: figure in the parenthesis indicate percentages of the mean score.

**Figure 6.7 Comparison of financial literacy Mean Score (%) with language and income level**



Source: Compiled from the Field Survey, 2016-17

Note: figure in the parenthesis indicate percentages of the mean score.

Table 6.3, summarises mean score of financial literacy in relations to the socio-economic factors in the hilly region and plains of the Darjeeling district. Table 6.3 and Figure 6.3 indicates that Financial literacy mean score shown by the male 3.55 (71.07%) and female 3.52 (70.386%) respondents of plains was found quite higher as compared to hills male 3.38 (67.629%) and Female 3.43 (68.614%) respondents.

Figure 6.3 also shows mean financial literacy score of joint and nuclear family status. The mean financial literacy score of joint 3.51 (70.19%) and nuclear 3.61(72.19%) family respondents of plains was higher as compared to joint family 3.41(68.32%) and nuclear family 3.34(66.76%) respondents of hilly region. From the Table 6.3 and Figure 6.4, reveal that that the mean financial literacy score was higher for married 3.54 (70.87%) and unmarried 3.58 (71.62%) respondents of plains as compared to married 3.53 (70.56%) and unmarried 3.31 (66.2%) respondents of hilly region. Similarly, rural and urban respondents of plains region are more financial literate as compared to hilly region. Figure 6.5 showed that Govt. employees of hilly region have higher financial literacy level 3.63 (72.64%) as compared to Govt. employees of Plain region 3.46 (69.26%) respondents. According to the caste system, respondents have been categorised into four parts namely S.C., S.T, O.B.C and General. From the Figure 6.5, it is clear that all category of caste in plains are more financial literate as compared to those caste of hilly region except S.T. caste category financial literacy mean score was found higher in hilly region 3.57(71.36%). Table 6.3 and Figure 6.6 shows the mean score of financial literacy level of different age group and education level. It can be observed that maximum financial literacy means score in term of age group was shown by the plains respondents. It can be concluded from the given table that there is positive correlation between age progression and financial literacy level. The mean score of financial literacy in terms of education level is higher in the plains region except those respondents having graduated degree showed higher financial literacy mean score in hilly region. Figure 6.6 show that financial literacy means score is highest for hilly region respondents who have graduated degree 3.5524(71.05%). Mother's education was strongly associated with financial literacy, especially if a respondent's mother graduate from college (Lusardi, Mitchell, & Curto, 2010)<sup>7</sup>.

Table 6.3 and Figure 6.7 indicate that financial literacy mean score in term of language was higher in plains as compared to the hills. Finally, on the basis of the income category the respondents from the plains region showed high mean score of financial literacy as compared to hilly region respondents.

## **6.5 Awareness Regarding Financial Products**

Table 6.4 provides a list of various investment instruments that respondents were specifically asked about in the survey. The responses given by the Hills and Plains households respondent on the awareness level of the various financial products available in the markets are measured in a 5 point Likert Scale, allocating 1 to ‘very low awareness level’ and 5 to ‘very high awareness level’. From the responses given by the respondents the weighted mean score for each financial product was measured (Table 6.4). Weights are given in progressive order of 1,2,3,4 and 5 to various responses of households from very low to very high. Frequency levels of awareness for various financial products are multiplied with the respective weight (1, 2, 3, 4 and 5) to get the summated weighted average score. In order to get the weighted mean score, the summated weighted average score is divided by the total frequency (samples). Rank for each financial products were measured based on the weighted mean score. From the given Table 6.4 and Figure 6.5, shows quite clearly that the plains region respondents mean score of awareness level for financial instruments were higher as compared to Hills respondents except in zero balance account, post office saving accounts and real estates. The majority of the respondents in hills region belonged to tea estates and presently employees in Darjeeling industry over 52 thousand people on a permanent basis, while a further 15,000 persons are engaged locally known as Bigha workers during plucking season i.e. from March to

November. Most of the tea gardens labourers retirement benefits are transferred in the post office account. This might be the possible reason for having more awareness in Post Office account of the hills respondents. Recurring deposits in banks and post offices are the most popular because of the small amounts that are accepted, the disciplined approach to saving that yields a lump sum amount at maturity, and the strong sense of security as compared with other institutions(Moullick,2008)<sup>8</sup>. People can plan for their lifecycle events using these deposits. Table 6.4 and Figure 6.8, exhibited that all the respondents from hills and plains region are staggeringly aware of low risk financial products than the high risk financial products. It makes more clear that the low risk financial products are risk averse and it is related to the traditional and the safe financial products whereas the awareness level for the high risk financial products are new age financial products. The awareness of capital market financial instruments like shares, bonds or debentures, commodities markets and mutual funds among the households both the hills and plains showed least preferences as compared to the other given financial products.

**Table 6.4 Awareness Level of Financial Products**

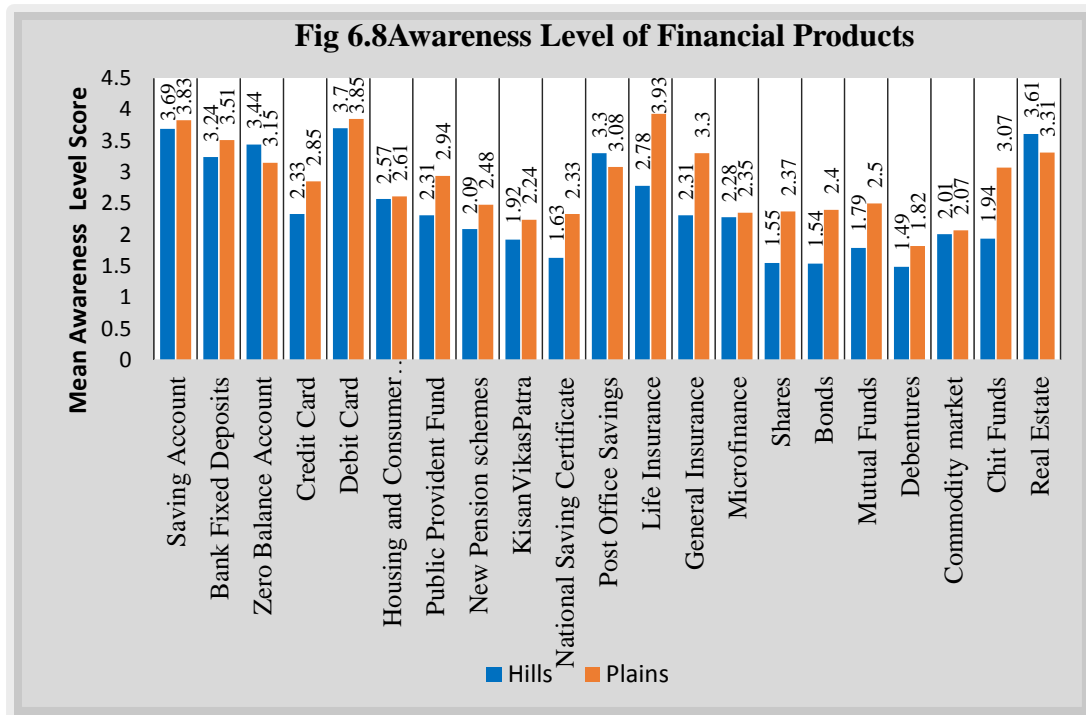
Financial Products		Very Low 1		Low2		Neutral3		High 4		Very High5		Hills Mean	Plains Mean
		Hills Count	Plains Count	Hills Count	Plains Count	Hills Count	Plains Count	Hills Count	Plains Count	Hills Count	Plains Count		
Banking Services	Saving Account	7 (2.85)	4 (1.41)	31 (12.60)	13 (4.57)	51 (20.73)	101 (35.56)	100 (40.65)	76 (26.76)	57 (23.17)	90 (31.69)	3.69	3.83
	Bank Fixed Deposits	23 (9.35)	49 (17.25)	51 (20.73)	22 (7.74)	50 (20.32)	44 (15.49)	88 (35.77)	73 (25.70)	34 (13.82)	96 (33.80)	3.24	3.51
	Zero Balance Account	26 (10.56)	44 (15.49)	36 (14.63)	46 (16.19)	55 (22.35)	54 (19)	62 (25.20)	102 (36.91)	67 (27.23)	38 (13.38)	3.44	3.15
	Credit Card	99 (40.24)	87 (30.63)	44 (17.88)	40 (14.08)	44 (17.88)	40 (14.08)	36 (14.63)	62 (21.83)	22 (8.94)	55 (19.36)	2.33	2.85
	Debit Card	30 (12.19)	16 (5.63)	14 (5.69)	29 (10.21)	44 (17.88)	32 (11.26)	75 (30.48)	113 (39.88)	84 (34.14)	94 (33.09)	3.70	3.85
	Housing and Consumer Loan etc.	46 (18.69)	73 (25.70)	97 (39.43)	91 (32.04)	38 (15.44)	27 (9.50)	42 (17.07)	61 (21.47)	22 (8.94)	32 (11.26)	2.57	2.61
Government Schemes	Public Provident Fund	76 (30.89)	39 (13.73)	73 (29.67)	69 (24.29)	59 (23.98)	72 (25.35)	21 (8.53)	73 (25.70)	17 (6.91)	30 (10.56)	2.31	2.94
	New Pension schemes	100 (40.65)	88 (30.90)	55 (22.35)	68 (23.94)	65 (26.42)	54 (18.01)	17 (7.91)	51 (18.95)	8 (3.37)	23 (8.09)	2.09	2.48
	KisanVikas Patra	127 (51.62)	112 (39.43)	57 (23.17)	57 (20.07)	31 (12.60)	59 (20.77)	16 (6.50)	46 (16.19)	15 (6.25)	10 (3.52)	1.92	2.24
	National Saving Certificate	154 (62.60)	102 (35.91)	51 (20.73)	45 (15.84)	27 (10.97)	83 (29.22)	7 (2.84)	49 (17.25)	7 (3.09)	5 (1.76)	1.63	2.33
	Post Office Savings	37 (15.04)	24 (8.45)	33 (13.41)	62 (21.83)	57 (23.17)	99 (34.85)	53 (21.54)	65 (22.88)	65 (26.42)	34 (11.97)	3.30	3.08
Social Security Schemes	Life Insurance	52 (21.13)	7 (2.46)	37 (15.04)	17 (5.98)	95 (38.61)	59 (20.77)	31 (12.60)	107 (37.67)	30 (12.19)	94 (33.09)	2.78	3.93
	General Insurance	80 (32.52)	27 (9.5)	67 (27.23)	40 (14.08)	53 (21.54)	67 (23.59)	34 (13.82)	121 (42.60)	12 (4.87)	29 (10.21)	2.31	3.30
	Microfinance	87	94	65	67	50	74	30	24	15	24	2.28	2.35

		(35.36)	(33.09)	(26.42)	(23.59)	(20.32)	(26.05)	(12.19)	(8.45)	(6.09)	(8.45)		
Capital Market	Shares	169 (68.69)	66 (23.23)	40 (16.26)	95 (33.45)	20 (8.13)	89 (31.33)	13 (5.84)	21 (7.39)	4 (1.62)	13 (4.57)	1.55	2.37
	Bonds	159 (64.65)	63 (22.18)	54 (21.95)	95 (33.48)	22 (9.94)	84 (29.57)	3 (1.21)	29 (10.21)	7 (2.84)	12 (4.22)	1.54	2.40
	Mutual Funds	146 (59.34)	67 (23.59)	39 (15.85)	67 (23.59)	38 (15.44)	107 (37.67)	12 (4.87)	27 (9.5)	11 (4.47)	16 (5.63)	1.79	2.50
	Debentures	176 (71.54)	136 (47.88)	39 (15.85)	99 (34.85)	17 (6.91)	16 (5.63)	9 (3.67)	26 (9.15)	5 (2.03)	6 (2.11)	1.49	1.82
	Commodity market	129 (52.43)	126 (44.36)	43 (17.47)	82 (28.87)	36 (14.63)	29 (10.21)	18 (7.31)	23 (8.09)	20 (8.13)	24 (8.45)	2.01	2.07
Other Financial Products	Chit Funds	118 (47.96)	38 (13.38)	57 (23.1)	89 (31.33)	48 (19.51)	40 (14.08)	14 (5.69)	49 (17.25)	9 (3.65)	68 (23.94)	1.94	3.07
	Real Estate	8 (3.25)	17 (5.98)	30 (12.19)	67 (23.59)	75 (30.48)	71 (25)	70 (28.45)	68 (24.94)	63 (25.60)	61 (21.47)	3.61	3.31

*Source: Primary Data*

*Note : Figures in the parenthesis indicate percentages to the total sample*





Source: Compiled from the Field Survey, 2016-17

## 6.6 Investment Preferences

The respondents were asked to provide information about various financial products in which they have invested their money in recent years. In the given (Table 6.5), it can be observed that the plains region respondents preferences towards the financial products are comparatively high as compared to the hills respondents except in zero balance account, Kisan Vikas Patra (KVP) and Post office savings account. It is also observed that the preference towards the zero balance account and Kisan Vikas Patra (KVP) are high in the hills region because of the great initiatives taken by the Govt. of India. It is the positive signal for the developing country like India that the marginalized people are slightly moving towards the opening of the bank accounts. From the given responses in Table 6.5 and Figure 6.9, it was found that preference for saving account showed high by the plains region respondents (99.3%) as compared to hills region respondents. It has been observed that both regions (hills and plains) respondents showed least preferences in high risk instruments of capital

markets and this may result in losing of the high returns good opportunities facilities. The given results in the (Table 6.5) also showed that the 8 (3.25%) respondents in the hills and 16(5.63%) respondents in the plains preferred in the National Saving Certificates. This is not the healthy sign because investors will not get tax benefits under section 80C of the Income Tax Act. Table 6.5 and Figure 6.9, reveals that the investments preference for chit funds showed maximum by the plains region respondents (24.3%) as compared to the hills region respondents (12.6%).It is evident from the preference expressed by the investor that the capital market securities, like shares, bonds, mutual funds, debentures and commodity markets are not popular among the investors of both regions (Hills and Plains). Finally, it can be concluded that the low level of investments for various new age financial products is not because of the high risk factors, if more awareness level is spread like the initiatives taken by the chit funds schemes like Saradha Group ponzi scam, Rose Valley Group ponzi scam, Basil International Ltd. in different parts of India than such new financial instruments could be more preferred by the respondents.

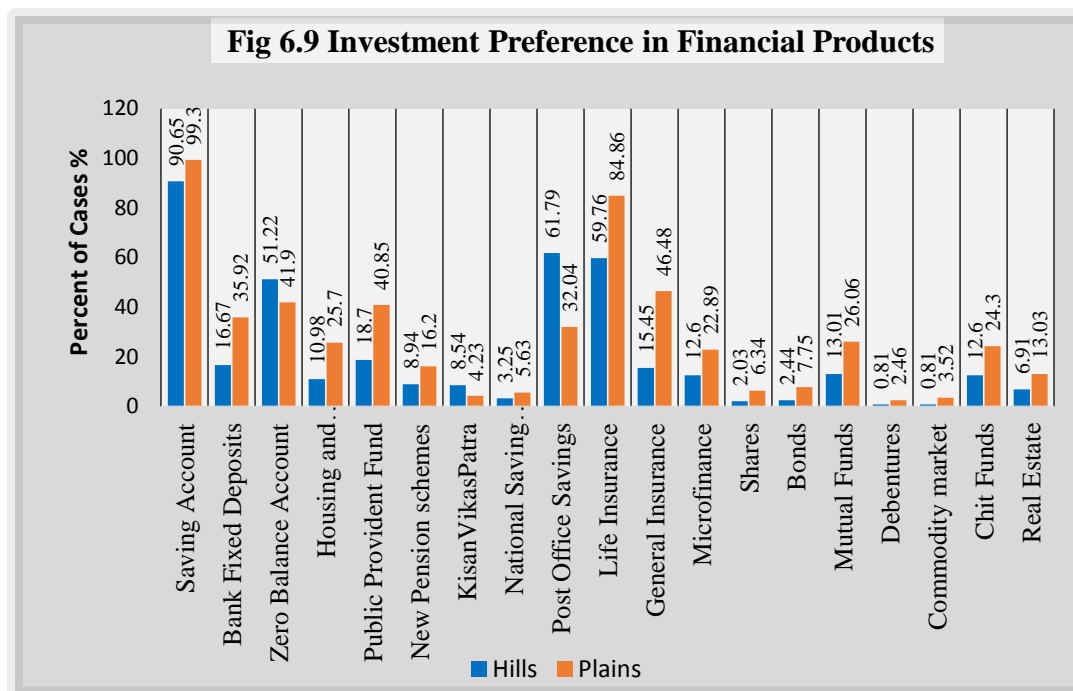
**Table 6.5 Investment Preference in Financial Products**

Financial Products		Hills		Plains	
		Frequency	Percent of cases	Frequency	Percent of cases
Banking Services	Saving Account	223	90.65	282	99.30
	Bank Fixed Deposits	41	16.67	102	35.92
	Zero Balance Account	126	51.22	119	41.90
	Housing and Consumer Loan etc.	27	10.98	73	25.70
Government Schemes	Public Provident Fund	46	18.70	116	40.85
	New Pension schemes	22	8.94	46	16.20
	Kisan vikas Patra	21	8.54	12	4.23
	National Saving Certificate	8	3.25	16	5.63
	Post Office Savings	152	61.79	91	32.04
Social Security Schemes	Life Insurance	147	59.76	241	84.86
	General Insurance	38	15.45	132	46.48
	Micro Finance	31	12.60	65	22.89
Capital Markets	Share	5	2.03	18	6.34
	Bonds	6	2.44	22	7.75
	Mutual Funds	32	13.01	74	26.06
	Debentures	2	0.81	7	2.46
	Commodity market	2	0.81	10	3.52
Other	Chit Funds	31	12.60	69	24.30

Financial Products	Real Estates	17	6.91	37	13.03
Total Respondents		246		284	

Source: Compiled from the Field Survey,2016-17

Note: One respondent can have more than one avenues of investment preference in financial products at a time.



Source: Compiled from the Field Survey,2016-17

## 6.7 Factors Influencing the Investment Decisions

According to their geographical locations the households' preferences for specific investment avenues differ between those residing in the hills and in plains. The factors influencing investment decision are divided in seven different categories- safety, liquidity, return, tax benefits, easy accessibility, diversity and background information. Findings about factors influencing investment decisions are compiled and presented in Table 6.6 and Figure 6.10. In plains, the priorities for selecting investment avenues are different than hills because clients have a better range of financial service providers from which to choose the best. The response of the above parameters are to be analysed by using the weighted mean score of various influencing factors and ranked in ascending order. From Table 6.6 and Figure 6.10, it was observed that most influencing factors on influencing investment decision of hills

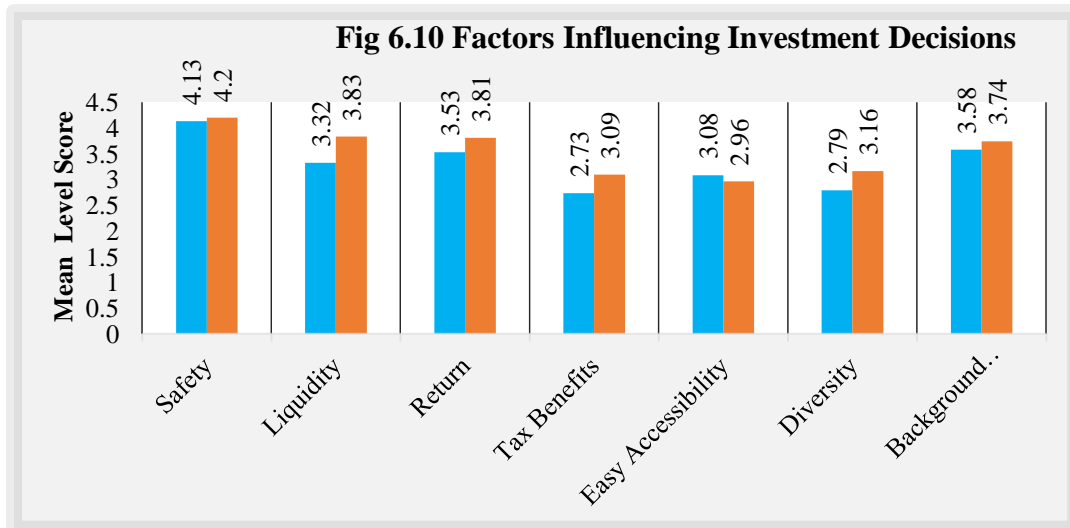
households is safety, followed by background information, return, liquidity, easy accessibility diversity and tax benefits. It was also observed that the safety plays significant role both hills and plains region households for influencing investment decision. Table 6.6 and Figure 6.10 also reveals that the factors influencing investment decision of households in Plains region according to the degree of influencing are safety, liquidity, return, background information, diversity, tax benefits and easy accessibility. The weighted mean score for influencing investment decision of households in plains region showed high as compared to the hills region.

**Table 6.6 Factors Influencing the Investment Decisions**

Financial Products	Not all important		Less Important		Not sure		Important		Most Important		Mean		Rank	
	Hills	Plains	Hills	Plains	Hills	Plains	Hills	Plains	Hills	Plains	Hills	Plains	Hills	Plains
Safety	14 (5.69)	7 (2.46)	22 (8.94)	26 (9.15)	19 (7.72)	23 (8.10)	53 (21.54)	80 (28.17)	138 (56.10)	147 (51.76)	4.13	4.16	1	1
Liquidity	18 (7.32)	7 (2.46)	30 (12.20)	20 (7.04)	80 (32.52)	67 (23.59)	88 (35.77)	110 (38.73)	30 (12.20)	80 (28.17)	3.33	3.83	4	2
Return	31 (12.60)	21 (7.39)	25 (10.16)	28 (9.86)	30 (12.20)	49 (17.25)	106 (43.09)	74 (26.06)	55 (22.36)	112 (39.44)	3.54	3.80	3	3
Tax Benefits	35 (14.23)	43 (15.14)	80 (32.52)	51 (17.96)	73 (29.67)	73 (25.70)	31 (12.60)	73 (25.70)	27 (10.98)	44 (15.49)	2.74	3.08	7	6
Easy Accessibility	16 (6.50)	62 (21.83)	64 (26.02)	49 (17.25)	73 (29.67)	46 (16.20)	74 (30.08)	90 (31.69)	20 (8.13)	37 (13.03)	3.09	2.97	5	7
Diversity	36 (14.63)	22 (7.75)	43 (17.48)	56 (19.72)	113 (45.93)	88 (30.99)	46 (18.70)	91 (32.04)	9 (3.66)	27 (9.51)	2.80	3.16	6	5
Background Information	14 (5.69)	18 (6.34)	29 (11.79)	16 (5.63)	63 (25.61)	56 (19.72)	80 (32.52)	129 (45.42)	60 (24.39)	65 (22.89)	3.58	3.73	2	4

*Source: Primary data*

*Note: Figures in the parenthesis indicates percentages to the total sample*



*Source: Compiled from the Field Survey,2016-17*

## 6.8 Preference Sources of Information for Making Investment Decisions

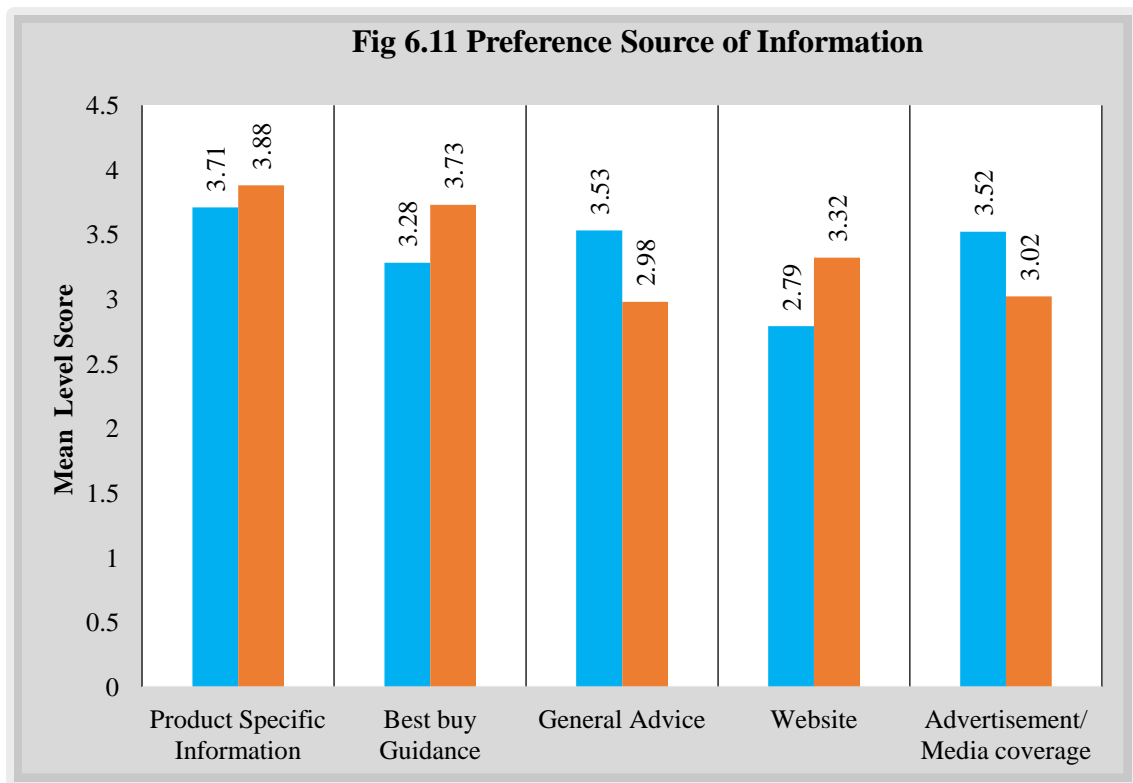
Investment decisions are commitment of money resources at different point of time in expectation of future returns. In this regard, the respondents were asked about the source of the information that influenced them for making investment decisions in the different financial products. The responses given by the respondents on the preference level of the various financial products available in the markets are measured in a 5 point Likert Scale, assigning 1 to ‘strongly disagree’ preference level and 5 to ‘strongly agree’ preference level. On the basis of the respondents, the weighted mean was calculated, after that the rank was categorized. Table 6.7 and Figure 6.8 exhibited that product specific information, general advice are major source of information about financial products and services and followed by advertisement/media coverage, best buy guidance and website/internet. Table 6.7 and Figure 6.8 also reveals that product specific information, best guide guidance are major sources of information for influencing investment decision in plains region and followed by internet/website, advertisement/media coverage and general advice.

**Table 6.7 Sources of Information about financial products and services Influencing the Investment Decisions**

Financial Products	Strongly Agree		Disagree		Neutral		Agree		Strongly Agree		Mean		Rank	
	Hills	Plains	Hills	Plains	Hills	Plains	Hills	Plains	Hills	Plains	Hills	Plains	Hills	Plains
Product Specific Information	5 (2.03)	10 (3.52)	13 (5.28)	29 (10.21)	85 (34.55)	41 (14.44)	92 (37.40)	113 (39.79)	51 (20.73)	91 (32.04)	3.70	3.87	1	1
Best buy Guidance	28 (11.38)	9 (2.82)	8 (3.25)	22 (7.75)	97 (39.43)	67 (23.59)	96 (39.02)	126 (44.37)	17 (6.91)	61 (21.48)	3.27	3.74	4	2
General Advice	7 (2.85)	39 (13.38)	12 (4.88)	57 (20.07)	100 (40.65)	76 (26.76)	99 (40.24)	98 (34.51)	28 (11.38)	15 (5.28)	3.52	2.99	2	5
Website	30 (11.79)	32 (11.27)	65 (26.42)	16 (5.63)	102 (41.46)	100 (35.21)	27 (10.98)	99 (34.86)	23 (9.35)	37 (13.03)	2.80	3.33	5	3
Advertisement/ Media coverage	9 (3.66)	57 (20.42)	27 (10.98)	43 (15.14)	75 (30.89)	69 (24.30)	95 (38.62)	68 (23.94)	39 (15.85)	46 (16.20)	3.51	3	3	4

*Source: Primary Data*

*Note : Figures in the parenthesis indicate percentages to the total sample*



*Source: Compiled from the Field Survey,2016-17*

## 6.9 Conclusion

From the above analysis and discussion, it can be concluded that the plains households are quite good in financial literacy score as compared to hilly region of Darjeeling district. In many area of plains, financial and non financial institutions are in close proximity to clients and, hence, they are more preferred towards various financial instruments as compared to the hilly region. It can be generalized that respondents from both the region have not made much investment in the new type of financial products such as shares, bonds, debentures, commodity market etc. This might be the reason of the high risk factors associated with the new type of financial products. The key challenge that low-income people of hilly region face is limited access to financial service and Income uncertainty. If financial services are available, the reliability of the service providers and flexibility of withdrawing money is brought into question: the reason being many reported cases of fraud such as Saradha Group



ponzi scam, Rose Valley Group ponzi scam, Basil International Ltd. chit fund scam etc. Appropriate Financial education training is essential for the upliftment of financial literacy in the new types of financial products both in the hills and plains region of Darjeeling District. From the above analysis, it was also found that the maximum respondent's preferences from both the region is high in the traditional types of financial products such as savings, fixed deposit accounts and it can be assumed that the investors are more risk averse. Traditional types of financial products are preferred more because the respondents feel that there is the strong sense of security as compared with other various new types of products. The success of the various financial avenues preference is based on high volume and efficiency of standardization generic products. This efficiency of standardization of generic products may create an opportunity for financial inclusion in India.

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## CHAPTER 7

### SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

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#### 7.1 Introduction

Financial literacy plays an important role in the economic upliftment of the country. In the era of globalization, financial knowledge has become not just a convenience but an essential tool for informed consumer choice. In developing countries like India, financial literacy is a growing challenge with the advent of different financial products in the global market. Financial literacy is defined as the ability to understand and ensure matters concerning to personal finance, including savings, investing, budgeting, basic numeracy, inflation, diversification of portfolio etc. In this complex world, if the people are financially illiterate, they might face problems of financial emergencies, unorganized savings or investments, become victim to frauds and wrong individuals might enjoy the credit instead of the entitled candidates. Financial literacy has become an important survival tool for the people.

#### 7.2 Major Findings of the Study

Based on the analysis of data collected from the households of Darjeeling district, the present study arrives at the following findings.

- It is a great challenge for a developing nation like India to include all the financially excluded people in financial inclusion. Developing countries like India have been taken many financial literacy initiatives to include the financially excluded people. In the Indian context all the regulatory agencies such as Reserve Bank of India (RBI), Insurance Regulatory and Development Authority (IRDA) and Securities

and Exchange Board of India (SEBI) including National Central for Financial Education (NCFE) have been taking major financial literacy initiatives. Besides these regulatory agencies, many public and private sector banks have also been contributing in major financial literacy initiatives. It makes it more clear that such indicators are a positive sign of India's transformation from a developing nation to developed nation.

- It is observed that the respondents are more aware of low risk financial products than the high risk financial products. The low risk financial products are risk averse and it is related to the traditional and the safe financial products whereas the awareness level for the high risk financial products are new age financial products. The awareness of capital market financial instruments like shares, bonds or debentures, commodities markets and mutual funds among the households is lesser as compared to other financial products.
- The households of Darjeeling district have decided their investment based on the following order of influencing factors like safety, return, background information, liquidity, easy accessibility, diversity and tax benefits. Most important factors affecting the investment decision is safety associated with the investment.
- Website or internet and general advice are not much popular to spread the saving and investment related information to the respondents in Darjeeling district.
- The most likely investment preferences by respondents were in banking related financial services schemes. From the present study, it can be inferred that the investment preference for various financial products is independent category of gender does not have the significant effect on the investment preferences for various financial products.

- The level of financial literacy varies across Darjeeling district due to variations in the socio-economic variables like family status, marital status, education and income level etc.
- For measuring financial literacy of the respondents, factor analysis statistical approach has been used. The result suggests that there are only seven factors with Eigen values greater than 1 suggesting seven-factor solution. The seven factors identified in factor analysis are: Financial Behavior, Skill in dealing with finance, Financial Level of Awareness, Knowledge in dealing with financial situations, Financial Attitude, Financial Planning, and Knowledge in diversification.
- Respondents from plains region of Darjeeling district are quite good in financial literacy score as compared to hilly region. In many area of plains, financial and non financial institutions are in close proximity to clients and, hence, they are more preferred towards various financial instruments as compared to the hilly region. Respondents from both hills and plains region have not made much investment in the new type of financial products such as shares, bonds, debentures, commodity market etc. The key challenge that low-income people of hilly regions face is limited access to financial service and Income uncertainty.
- The maximum respondent's preferences from hills and plains region of Darjeeling district is high in the traditional types of financial products such as savings, fixed deposit accounts and it can be assumed that the investors are more risk averse. Traditional types of financial products are preferred more because the respondents feel that there is the strong sense of security as compared with other various new types of products.
- There is immense impact of the agitation for Gorkhaland, in the Darjeeling district, on the performance and management of various financial services.

- Developing countries like India have initiated many financial education programs but people are not likely to come to attend financial literacy classes.

### **7.3 Recommendations**

On the basis of findings of the study, the following recommendations have been put forward to improve the financial literacy of the people.

- In this digitalized era, India is lagging in connectivity of network. Many rural areas of Darjeeling district are still poor when it comes to internet penetration. Business correspondents have been facing challenges relating to electricity and internet connectivity in rural areas. Efficient information technology solution is a precondition for the development of sound financial market in India.
- In a growing Country like India, financial schemes of the Government changes frequently and in this regard many bank managers have opined that existing financial schemes are prone to changes with the change in Government. It is recommended to ensure stability of financial service schemes at least for a reasonable period of time.
- Based on the study it is evident that many financial institutions have been continuously taking innovative steps to enhance the financial literacy level in India. But, despite all these commendable efforts from various financial institutions, level of financial literacy is very low. This low level of financial literacy is an obstacle in the path of making India a digital economy. For spreading awareness in financial literacy among households, door to door service is essential.
- Pradhan Mantri Jan Dhan Yojana (PMJDY) was initiated by the government of India in August, 2014 to increase account ownership. However, many people might

not have had the opportunity to use their PMJDY account yet. In this regard World Bank report<sup>8</sup> said that almost half of Indian bank users have an account that has remained inactive in the past year. So, it is necessary to motivate the PMJDY users to avail the benefits of financial services. Many more financial literacy sensitisation programmes may be organised targeting the vulnerable section of the society.

- The low level of investments in the products like share, bonds, debentures and commodity markets etc. is definitely due to low level of awareness amongst the people. If more financial literacy initiatives are taken like that of Chit fund schemes than more impressive result can be obtained.
- Financial literacy programmes can impart sizeable influence on the respondents for financial decision making and practices. It should be noted that in Darjeeling district, plantation workers, marginal farmers, landless labourers, workers in unorganized sectors, migrants workers, ethnic minorities and other socially excluded groups are excluded from financial inclusion. Less proximity of the banks is also one of the reasons of being financially excluded. Apart from less proximity of bank, the respondents have also been deprived of many impediments such as absence of financial literacy awareness programs, social deprivation, income uncertainty and instability of Government Policy. In financial education programs, people are not likely to come to attend financial literacy classes. In view of these impediments, it is recommended to include financial education as a subject in school curricula, so that new generations can learn it at the very initial stage of their career.
- With the implementation of Goods and services Tax (GST), premium rates of insurance policies have been largely affected by the high rate of Goods and Services

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<sup>8</sup><https://www.thehindubusinessline.com/money-and-banking/at-48-india-tops-in-bank-users-with-inactive-accounts-says-world-bank/article23606293.ece>

tax. Therefore, appropriate action should be taken by the government for such policy. It is recommended for reduction of GST rates in such financial products.

- There is high penetration of banks in India. In this research, it has also been identified that the tea garden workers in Darjeeling district, who get wages on an average Rs. 3,900(Rs.150 per day) per month have to travel 25 kilometers away to get money from ATM due to less proximity of banks. Therefore, Indian banks must spread their wings towards rural areas.
- Appropriate Financial education training of the trainers is also essential for the upliftment of financial literacy in the new types of financial products both in the hill and plain regions of Darjeeling district.

## **7.4 Conclusion**

After careful analysis and interpretation, the overall results suggest that the people must be properly educated about new and existing financial products available in the global market so that they can reap the benefits of earning higher returns. Perhaps, they will not become victims of frauds and somebody else will not take credits for whatever is entitled to them. The success of the various financial avenues preference is based on high volume and efficiency of standardization generic products. This efficiency of standardization of generic products may create an opportunity for financial inclusion in India. The result of this study assists the households on the personal financial management. The researcher reached overall conclusion that economically marginalised household of Darjeeling district is neither skilled nor knowledgeable in financial matters and that this would have a negative impact on their future lives through the incompetent financial management. Future research



should examine the effect of financial education made available to the plantation workers, marginal farmers, landless labourers and other financially excluded groups.

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**Dear Respondent:**

A study is being conducted on financial literacy level in Darjeeling District for the completing of Doctoral dissertation at Sikkim University. I solicit your cooperation by giving your answer to the question asked below. Your opinion will be of great help for me. The data is purely for academic research purpose; data collected will remain highly confidential and won't be used for any commercial purpose. Thanks for your cooperation.

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### Section A

#### Basic Information:

- 1.1. Name of Village:
- 1.2. Ward No:
- 1.3. Name of Gram Panchayat Unit (GPU):
- 1.4. Block/Municipality:

**Please tick the option (one option only)**

- 1.5. Rural area:   
Urban area:
- 1.6. **Religion:** Hindu  Christian  Buddhist  Muslim   
Others
- 1.7. **Gender:** Male  Female  Others
- 1.8. **Age:** 18-24  25-34  35-44  45-59  60 and over
- 1.9. **Marital Status:** Married  Unmarried  Widow  Divorcee
- 1.10. **Education Qualification:** Uneducated  Primary educated   
M.E. educated  H.S. educated   
Graduation   
P.G. & above
- 1.11. **Occupation:** Govt. Job  Pvt. Job   
Professional  Self employed
- 1.12. **Caste Category:** S.C.  S.T.  O.B.C.  General
- 1.13. **Language:** Nepali  Bengali  Hindi  Others

1.15 No. of family Member:

1.16 State the Family Status: Joint Family  Nuclear Family

### Section B

#### Financial Product and Services Questionnaire (Please tick the appropriate answer)

1. Who is responsible for making day to day decisions about money in your household?
  - a) You make these decisions by yourself
  - b) You make these decisions with someone else
  - c) Someone else makes these decisions
  - d) Don't Know
  - e) Refused
  
2. Does your household have a budget? (A household budget is used to decide what share of your household income will be used for spending, saving or paying bills)
  - a) Yes
  - b) No
  - c) Don't know
  - d) Refused
  
3. **DIRECTIONS:** Following are the number of statements regarding how would you like to use excess money in the past 12 months? using a 5 point Likert scale.

1	2	3	4	5
not at all important	less important	not sure	important	most important

a.	Buying necessity goods	1	2	3	4	5
b.	Buying luxuries goods	1	2	3	4	5
c.	Entertainment	1	2	3	4	5
d.	Saving cash at home or in your wallet	1	2	3	4	5
e.	Bank account	1	2	3	4	5

4. Can you tell me whether you are aware of any of these types of financial products.

1	2	3	4	5
Very Low	Low	Neutral	High	Very High

Banking Services						Government Schemes						Social Security					
Saving Account	1	2	3	4	5	Public Provident Funds	1	2	3	4	5	Life Insurance	1	2	3	4	5
Bank Fixed Deposits	1	2	3	4	5	New Pension Scheme	1	2	3	4	5	General Insurance	1	2	3	4	5
Zero Balance Acct.	1	2	3	4	5	KisanVikas Patra	1	2	3	4	5	Microfinance	1	2	3	4	5
Credit Card	1	2	3	4	5	PDS	1	2	3	4	5						
Debit Card	1	2	3	4	5	National Saving Certificate	1	2	3	4	5						
Housing and Consumer loan etc.	1	2	3	4	5	Post Office Savings	1	2	3	4	5						

Capital Market						Other Financial Products					
Share Markets	1	2	3	4	5	Chit Funds	1	2	3	4	5
Bonds	1	2	3	4	5	Real Estate	1	2	3	4	5
Mutual Funds	1	2	3	4	5						
Debentures	1	2	3	4	5						
Commodity Market	1	2	3	4	5						

5. Can you tell me whether you (personally or jointly) currently hold any of these types of products?

6.

Banking Services	Y	N	Government Schemes	Y	N	Social Security	Y	N
Saving Account			Public Provident Funds			Life Insurance		
Bank Fixed Deposits			New Pension Scheme			General Insurance		
Zero Balance Account			Kisan Vikas Patra			Microfinance		
Credit Card			PDS					
Debit Card			National Saving Certificate					
Housing Loan, Consumer Loan etc.			Post Office Savings					

Capital Market	Y	N	Other Financial Products	Y	N
Share Markets			Chit Funds		
Bonds			Real Estate		
Mutual Funds					
Debentures					
Commodity Markets					

**7. How you made your choice about the above products?**

(a)	I considered several options from different companies before making decision	
(b)	I considered the various options from one company	
(c)	I didn't consider any other option at all etc.	
(d)	I looked around but there were no other options to consider	

**9.DIRECTIONS:** Following are the number of statements regarding what are the factors affecting investment decisions? using a 5 point Likert scale.

1	2	3	4	5
not at all important	less important	not sure	important	most important

(a)	Safety	1	2	3	4	5
(b)	Liquidity	1	2	3	4	5
(c)	Return	1	2	3	4	5
(d)	Tax benefits	1	2	3	4	5
(e)	Easy Accessibility	1	2	3	4	5
(f)	Diversity	1	2	3	4	5
(g)	Background Information	1	2	3	4	5

**10. How often do you compare the terms and conditions for provision of financial services by various companies before you buy such a service?**

(a)	Always	
(b)	Sometimes	
(c)	Rarely	
(d)	Never	
(e)	I find it difficult to answer this question	

**11.DIRECTIONS:** Following are the number of statements regarding which source of information do you feel most influenced your decision. (FLI), using a 5 point Likert

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree



(a)	Product specific information	1	2	3	4	5
(b)	Best buy guidance	1	2	3	4	5
(c)	General advice	1	2	3	4	5
(d)	Media coverage	1	2	3	4	5
(e)	Advertisement	1	2	3	4	5

### Section C

*The following are the list of statements for understanding your inclination toward Financial Literacy. Indicate the extent to which you agree or disagree with the statement*

(Strongly Disagree=1, Disagree=2, Neither Agree nor Disagree=3 agree =4, Strongly Agree= 5 )

Sl. No.	Statements	1	2	3	4	5
1.	I think if someone offers me the chance to make a lot of money in short time, there is also chance of losing a lot of money					
2.	I believe that Investment with a high return is likely to bear high risk					
3.	I think that high inflation means that cost of living is going increase rapidly					
4.	I put all my money in one kind of investment, then it is likely that I will lose all of my money					
5.	I believe that if I keep money in a saving which grows in compounded form it will gives me better return					
6.	I believe that it is important to have a financial plan.					
7.	Before I buy something I carefully consider whether I can afford it.					
8.	I feel putting away money each month for saving or investments is important					
9.	When it comes to financial matters, I think of myself as a bit of a risk taker.					
10.	I find it more satisfying to spend money than to save it for the future.					
11.	I set aside money for special events.					
12.	I save money before I spend.					
13.	I pay my utility bills, loan installments on time every month.					
14.	I evaluate financial products before investing money in them.					
15.	I seek information from all possible sources before making choice regarding investment.					
16.	I use debit and credit card wisely.					
17.	I have Purchase enough insurance protection for my future.					

18.	I have develop good savings habits.					
19.	I evaluate my budget and revise as needed from time to time.					
20.	I regularly compare my estimated expenses to my actual spending.					
21.	Digital Financial Literacy campaign can be a good move to improve upon financial literacy.					
22.	'I regularly read the personal finance pages in the newspapers with regards to the kind of shares, bonds, commodity market services being provided by the various financial institutions.					
23.	I watch TV & listen radio which advice in social securities investment avenues.					
24.	I take opinion from many literate friends for investment in various banking products.					
25.	I attend many programmes which Govt. sponsors in my village, locality for improving saving habit.					

**THANK YOU**

**Name of Respondent.....**  
**Contact No.....**