
**INNOVATIONS AND TRENDS IN
FINANCIAL SYSTEM**

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Editors:

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PRATHAM PUBLICATIONS

New Delhi

Innovations and Trends in Financial System

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Edition 2019

ISBN : 978-93-88742-13-9

Published by :

Pratham Publications

4228/1, Ansari Road

Darya Ganj,

New Delhi - 110 002

Ph.: 011-23266109.

Fax : 91-011-23283267

e-mail: prathampublications30@gmail.com

Typesetting by :

Sanya Computers

(Mob: 9810458150)

Delhi - 110053

Printed and Bound in India

Preface

This edited book '*Fedha*'—A Light in to new ways of Finance, aims to present the real picture of the research in the field of Finance in Rural Kerala. The major findings of articles in the book lead to the knowledge of real world of investment in the eyes of rural population. It involves a great effort of more than fifty research minds in different subthemes of Finance like Behavioural Finance, corporate finance and Banking services.

The expected audience of the book consists of researchers, research students, Practitioners and investors.

We would like to convey our appreciation to all the contributors including the authors of the Chapters in this book.

Our special thanks to our Head of the department Prof. Bindu T. for her continuous support and great effort to bringing the book in to fruition. We expresses here our sincere gratitude to Dr. E. Jayan principal of our institution who motivated us for this endeavour.

This book - Fedha - is to be published as part of a national seminar on Financial Derivatives and the meaning of Swahili word Fedha is FINANCE...

Foreword



It makes immense pleasure that a new academic horizon is being opened up for the enrichment and refinement of the knowledge base, offers a new realm of academic excellence to meet the challenges in the contemporary global scenario of Commerce & Management. Since it is a quality oriented endeavor in the form of a Research publication as a part of the National Seminar on 'Financial Derivatives', this can provide a valuable academic base, culture and quality among the teachers, research scholars and seekers in the concerned field. The selection of research articles pertaining to such a vibrant and dynamic area could transform the beneficiaries by a new academic experience and exposure. It is really a valuable and remarkable academic contribution of the Department of Commerce to bridge the gap to a certain extent in the related academic space. Hope that let it be a mile stone in the glorious academic path of the institution leading to the highest goal and fulfillment in the field of higher education.

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Message from Principal



“Fedha (finance) is always considered as wealth and knowledge. Here I appreciate the cordial spirit of the department of Commerce for achieving new destination.”

Dr. E. Jayan

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28 | Financial Literacy Among Rural Population of Palakkad

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Introduction

Financial Literacy has gained attention of a wide range of financial services and investment avenues in different sectors. But the rural people in different parts of the country including investors, policy makers and interested groups are lack of knowledge in financial concepts. They also lack in using the tools for taking most appropriate financial decisions and move towards economic well-being. Financial literacy is defined as “The ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being.”

Need and Significance of the Study

Government of India now provided with several policies and initiatives to develop financial literacy and financial inclusiveness in rural India. There are Financial Literacy Centers almost all the districts in Kerala. In this study the investigator wanted to know the Financial literacy among the rural people of Kerala.

Objectives of the Survey

1. To study the financial literacy of rural people in Palakkad district
2. To know is there any significant difference among the rural people in their Financial Literacy according to their Age and Gender

3. To know the Interest, Readiness and ability to take financial decisions of rural people in Palakkad district
4. To know is there any significant association between Interest, Readiness and ability to take decisions with Financial Literacy

Hypotheses of the Survey

1. There is no significant difference among the rural people in their Financial Literacy according to their Age and Gender
2. There is no significant association between Interest, Readiness and ability to take decisions with Financial Literacy

Methodology Used for the Study

360 samples were selected from the rural backward area of Palakkad district. A survey was conducted by the department on the financial literacy of rural households of Sreekrshnapuram, Kadampazhipuram, Vellinezhi and Karimpuzha panchayats of Palakkad district. A self-constructed Financial literacy test used in ninety samples from each panchayat.

Data Analysis

Analysis of the data has been done with the help of SPSS and the statistical tools used were ANOVA, t test, and Chi square test.

Table 1

Descriptive Statistics

	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
Score of Financial Literacy	360	4	21	13.59	3.276

Table 1 evidenced that the minimum value is four and maximum value is twenty one. The average i.e. arithmetic mean of the Financial literacy score is thirteen point five nine and the standard deviation is three point two seven six.

The maximum score to be attained according to the scale was 25 while the maximum scored was 21 and the minimum score was 4. Thus the investigator wanted to take percentage analysis for the score.

From Figure it was clear that more than half of the sample i.e. Fifty one percentage of the population included in 50-75% of scores and only a nominal number of persons i.e. Only one percentage of the samples were scored more than 75%.

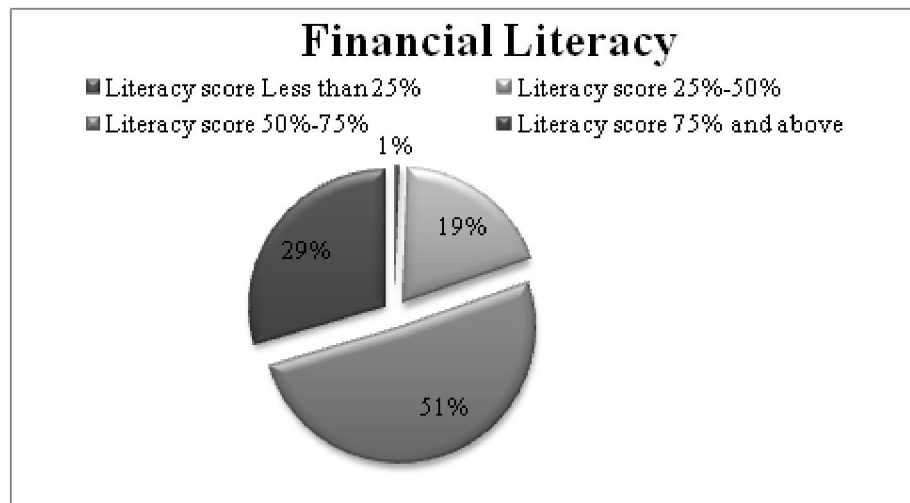


Fig. 1

Table 2
Availability of Information

	Frequency	Percent	Valid Percent	Cumulative Percent
Not available	104	28.9	28.9	28.9
Information Available	256	71.1	71.1	100.0
Total	360	100.0	100.0	

From table 2 it is evidenced that majority of the samples were satisfied with their information.

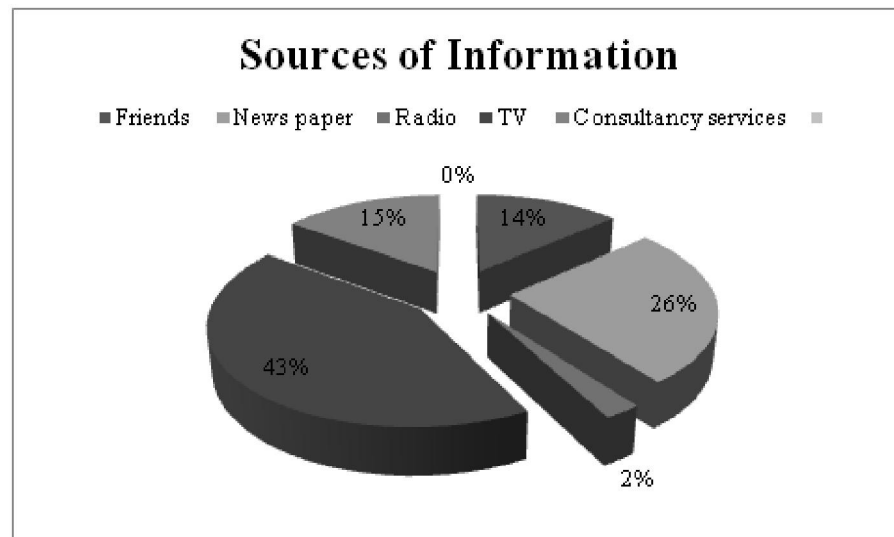


Fig. 2

Figure 2 helped to know that majority of people depends on TV for getting information.

Table 4
Group Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Score of Financial Literacy	Male	162	13.94	3.203	.252
	Female	198	13.30	3.316	.236

Table 5
Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Score of Financial Literacy	Equal variances assumed	.766	.382	1.836	358	.067	.635	.346	-.045	1.316
	Equal variances not assumed			1.843	348.292	.066	.635	.345	-.043	1.313

From table 5, t test was not significant at 0.05 level. thus the null hypothesis i.e. there is no significant difference in Financial literacy of rural people according to gender is accepted.

Table 6
ANOVA

Score of Financial Literacy	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	331.657	4	82.914	8.381	.000
Within Groups	3501.987	354	9.893		
Total	3833.643	358			

From table 6 it is evidenced that the F value is significant at 0.05 level and thus the null hypothesis i.e. there is no significant difference in Financial literacy of rural people according to age is rejected. The investigator went for Post hoc test for further analysis.

Table 7
Multiple Comparisons

Dependent Variable: Score of Financial Literacy
Tukey HSD

(I) Age	(J) Age	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bond	Upper Bond
<20	20-35	-1.381	.542	.083	-2.87	.11
	35-50	-.952	.540	.396	-2.43	.53
	50-65	-1.944*	.607	.013	-3.61	-.28
	>65	2.217	.824	.057	-.04	4.48
20-35	<20	1.381	.542	.083	-.11	2.87
	35-50	.428	.415	.841	-.71	1.57
	50-65	-.564	.500	.792	-1.93	.81
	>65	3.598*	.748	.000	1.55	5.65
35-50	<20	.952	.540	.396	-.53	2.43
	20-35	-.428	.415	.841	-1.57	.71
	50-65	-.992	.497	.270	-2.35	.37
	>65	3.170*	.746	.000	1.12	5.22
50-65	<20	1.944*	.607	.013	.28	3.61
	20-35	.564	.500	.792	-.81	1.93
	35-50	.992	.497	.270	-.37	2.35
	>65	4.162*	.796	.000	1.98	6.35
>65	<20	-2.217	.824	.057	-4.48	.04
	20-35	-3.598*	.748	.000	-5.65	-1.55
	35-50	-3.170*	.746	.000	-5.22	-1.12
	50-65	-4.162*	.796	.000	-6.35	-1.98

*. The mean difference is significant at the 0.05 level.

From Post Hoc test placed in table 7 shows that the age group above 65 years are significantly differ from all other categories of age excluding below 20 years category. Below 20 years age group is significantly differ from the age group of 50-65 years.

Association test – Score of Financial literacy and Readiness to take financial decisions for 360 samples

Table 8

Score of Financial Literacy * Readiness Crosstabulation

Count		Readiness		Total
		Not ready	Ready	
Score of Financial	4	1	1	2
Literacy	6	1	3	4
	7	4	6	10
	8	5	5	10
	9	12	12	24
	10	7	14	21
	11	8	18	26
	12	4	18	22
	13	7	30	37
	14	7	47	54
	15	2	33	35
	16	2	35	37
	17	1	43	44
	18	1	17	18
	19	0	13	13
	20	0	2	2
	21	0	1	1
Total		62	298	360

Table 9

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	57.707 ^a	16	.000
Likelihood Ratio	57.495	16	.000
Linear-by-Linear Association	49.132	1	.000
N of Valid Cases	360		

a. 16 cells (47.1%) have expected count less than 5. The minimum expected count is .17.

As Chi square is significant at 0.05 levels, the null hypothesis i.e. there is no significant association between Financial literacy and readiness to take financial decision is rejected.

Association test – Score of Financial literacy and Ability to take financial decisions for 360 samples

Table 10

Score of Financial Literacy * Ability to take decision Crosstabulation

Count		Ability to take decision		Total
		Not able	Able	
Score of Financial Literacy	4	1	1	2
	6	1	3	4
	7	5	5	10
	8	6	4	10
	9	10	14	24
	10	10	11	21
	11	12	14	26
	12	8	14	22
	13	11	26	37
	14	14	40	54
	15	4	31	35
	16	14	23	37
	17	11	33	44
	18	5	13	18
	19	2	11	13
	20	2	0	2
	21	0	1	1
Total		116	244	360

Table 11

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	27.241 ^a	16	.039
Likelihood Ratio	28.837	16	.025
Linear-by-Linear Association	9.034	1	.003
N of Valid Cases	360		

a. 11 cells (32.4%) have expected count less than 5. The minimum expected count is .32.

As Chi square is significant at 0.05 level, the null hypothesis i.e. there is no significant association between Financial literacy and ability to take financial decision is rejected.

Association test – Score of Financial literacy and Interest to take financial decisions for 360 samples

Table 12

Score of Financial Literacy * Interest Crosstabulation

Count		Interest		Total
		Not interested	Interested	
Score of Financial Literacy	4	1	1	2
	6	2	2	4
	7	3	7	10
	8	3	7	10
	9	7	17	24
	10	7	14	21
	11	5	21	26
	12	3	19	22
	13	3	34	37
	14	6	48	54
	15	1	34	35
	16	4	33	37
	17	0	44	44
	18	0	18	18
	19	0	13	13
	20	0	2	2
	21	0	1	1
Total		45	315	360

Table 13

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	43.808 ^a	16	.000
Likelihood Ratio	46.904	16	.000
Linear-by-Linear Association	36.677	1	.000
N of Valid Cases	360		

a. 19 cells (55.9%) have expected count less than 5. The minimum expected count is .13.

As Chi square is significant at 0.05 level, the null hypothesis i.e. there is no significant association between Financial literacy and interest to take financial decision is rejected.

Findings of the Study

More than 50% of the sample held under the above average score of Financial literacy and more than 70% of them are availing financial information and T V is the major source of information. Female and male samples have no difference in their Financial literacy. There is a significant association between Readiness, Interest and Ability to take financial decisions with Financial literacy. The age group of above 65 years has low score in Financial Literacy score as compared to all other age groups and below 20 years age group have next lower score.

Conclusion

The Financial literacy score was the measure used for the study and the categorical variables used were readiness, interest and ability to take financial decisions. Even though Palakkad is a backward district of Kerala the rural population of the district have above average Financial literacy. The study may conclude that the people who have high Financial literacy also have more readiness, interest and ability to take financial decisions and vice versa. There is running a Financial Literacy Centre (FLC) by Canara bank in Vellinezhi Panchayat and the people residing in all three Panchayats in the research area are also been utilizing the service of the centre. Thus the investigator infers that the services provided by the centre may be good enough to develop Financial literacy in that area. The suggestion for further study included the research on the effectiveness of the programme provided by the FLCs of the state.

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