

Financial literacy among peoples in un-organized sectors: Evidence from the state of J&K

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ABSTRACT.

The present study assesses the financial literacy in non-organized sectors in the state of Jammu and Kashmir. The concept of financial literacy was measured on the grounds of financial awareness, money management and financial readiness. This study uses a questionnaire method, to deliver the perception of understudy revealed that people are financially aware to the extent of 60% only and lack the proper information regarding money management and investing. The result also reveals that people have an understanding of basic financial information to a satisfactory level and are always ready to receive information on financial matters through various means of communication. On the basis of this empirical data, it is suggested that there should be periodic financial awareness programs held for people to enhance their financial awareness, to promote financial management, financial readiness and to make the optimum use of the resources that people possess. It is also suggested that in addition to the government the academic experts of finance should come forward to help the common people to meet their financial problems.

Key words: *financial literacy, un-organized sectors, financial awareness, money management, financial readiness.*

INTRODUCTION.

Financial literacy is nothing but knowledge of finance. The importance of financial education has improved in recent years due to the developments in financial markets as well as demographic, economic and policy changes. More and more financial markets are becoming more sophisticated and new products are continuously offered. The consumers have now greater access toward a variety of credit and savings instruments provided by a range of entities from online banks, brokerage firms and community-based groups and changes in retirement benefit schemes and increase in life expectancy have increased the thoughts of consumers towards better and efficient saving management. financial literacy refers to the capacity to make effective judgements, to take important decisions with regard to the management and usage of money. It is the capacity of a person to understand finance, collection of awareness, readiness, management, knowledge, abilities, behaviour and attitude that are imperative to carry out a good financial decision resultantly to achieve financial goals. Financial literacy enables a person to make and take effective timely decisions after knowing their financial implications and is mainly used in making decisions at the individual level which covers ability to make a proper decision regarding personal finance viz. savings, investing, retirement plans, insurances etc. where the individuals are aware of terms related to financial literacy like interest rates, simple/compound interest, time value of money, financial management, planning, awareness and readiness. According to OECD (2005) financial literacy is a “process by which financial consumers meliorate their financial understandings like knowledge of financial products, concepts with the help of which they gather information, advice or develop the abilities and confidence to become aware of financial risks and opportunities, to take other effective actions to boost their financial well-being.” The concept of financial literacy is not restricted to investors only. Rather, the same awareness is required by anybody. Nowadays it is becoming more important for families trying to decide how to manage their budget and other financial decisions like paying EMI's, paying children's education funds, securing for retirement and many other financial decisions. Therefore, it's imperative to have sound financial literacy, without its absences the best alternatives cannot be made and good decisions cannot be made. Moreover, a booming economy and the new horizon of hopes make this study really significant. In India financial literacy has assumed greater significance in recent years due to the complexity of financial markets. For the purpose of the study literature relating to the topic was constantly reviewed and data examined.

Conclusions and findings are based on these. Financial literacy is considered as an important adjunct for the promotion of financial inclusions and ultimately financial stability. In India, the need for financial literacy is getting greater because of the low level of literacy and a large section of the population which remains out of the formal financial setup. In this context, the need for financial literacy has become broader and it acquires greater significance because it could be an important factor in the very access to such group of finance. India which has a large section of people who are resource-poor and who operates on the margin. These groups are really vulnerable to persistent downward financial pressures. Moreover, with no established banking relationships, the poor sections are pushed towards expensive alternatives. Challenges in the areas of household management could be accentuated by the lack of skills or knowledge that makes well informed financial decisions. Thus, Financial literacy can help them prepare ahead of time for life need as well as to deal with unexpected contingencies without debt. In this era of severe competition, it is not only difficult for individuals to select the right investments or savings but there are high chances of being cheated without the proper knowledge of finance-related activities. Contrarily when an individual is financially educated, they will be able to do good financial planning and management resultantly helps to maintain a balance of expenditures and savings. Financial literacy is highly important for un-organized sectors of the country as they are the most vulnerable class and need of the hour is to make them available highly useful decision-making abilities so that their limited wealth can be well planned, managed to earn a good return. Thus, this can be clear and obvious to say that financial literacy is highly imperative not only to un-organized sectors but also other classes as well. Besides, the role of un-organized sectors in shaping the economy of a country must also need a good amount of attention from the policymakers of the country. The informal sector as defined in the resolution of the 15th International Conference of Labor Statisticians (ICLS), January 1993, consists of unincorporated household enterprises which differ from formal enterprises in terms of technology, economies of scale, use of labour-intensive processes, and the virtual absence of well-maintained accounts. According to CBWE (central board for workers education), the un-organized sectors covers most of the rural and a substantial part of urban labour and includes activities carried out by small and family enterprises partly or wholly with family labour. The wages paid to labour in this sector is largely non-unionised because of seasonal and casual nature of employment and scattered location of enterprises. The contribution made by the un-organized sectors to the national income is highly significant as compared to organized sectors. Lack of financial knowledge can lead to detrimental consequences adversely affecting the national economy. Hence, the present study aims to ascertain the dimensions of financial literacy in the un-organized sectors which will help to assess the various difficulties faced by the people's in this sector.

REVIEW OF LITERATURE.

A brief of some studies conducted so far on financial literacy for the past few years is stated below.

(Bharucha, 2019) found a strong positive correlation of financial literacy with education, employment among youths in India, and also revealed females were found to have less literacy compared to males. (Neha Garg, 2018) analyzed the level of financial literacy among youths in the world through a review of past studies conducted on financial literacy. They found a low level of financial literacy among youth across most part of the world and also revealed the impact of socio-economic factors and demographic factors like age, gender, income, marital status, and education on financial literacy among youth. The study also found an interrelationship between financial knowledge, financial attitude and financial behaviour. inclusion, education, awareness of self-help groups (SHGs), nearness to post office banks and recipients of government benefits (in a plain areas not in terrains) leading to financial inclusions. (Jayaraman J, 2018) measured the level of financial literacy among high school students in India and found a low level of financial literacy as compared to those in developed countries and students from commerce/economics background found to have financially literate, whereas the females were found to be more financially literate as compared to males. (Mishra, 2018) conducted a study on the influence of household's financial literacy, investment awareness, risk propensity and socioeconomic characteristics on stock market investment decisions in India. The study revealed a significant impact of high-risk tolerance, financial literacy and investment awareness on stock market investment decisions and suggested to conduct financial education programs in order to enhance the financial awareness among households which impacts positively the investment decisions with regard to stock market investments. (Mahapatra M S, 2017) assessed the financial literacy status among college students on three antecedents like socio-demographic characteristics, parental influence and attitude towards financial planning. They found a strong positive influence of first two antecedents on financial literacy and observed a negative influence of attitude towards financial planning on the financial literacy of college students. (Madeep Kaur, 2015) Conducted a study on the financial literacy level of university students. They revealed that students with commerce and management

background have a fairly good level of financial literacy among the students as compared to other subjects. They argued that curriculum taught to them helps them in addressing the issues related to financial literacy and emphasized on the introducing financial and economics courses in order to enable students of other disciplines to deal in financial products and services. (Kapil Choudhary, 2017) analyzed the financial literacy of peoples in Haryana India. The study revealed that the majority of people possess the basic financial knowledge and exhibit positive financial behaviour, whereas, two-third of people lacks a positive financial attitude. (G Surendar, 2017) examined the level of financial literacy among technical and non-technical higher education teachers of Warangal district in the state of Telangana India. They found a significant level of financial literacy and planning. Further no difference among technical and non-technical teachers with regard to financial literacy and planning. (Arora, 2016) examined the financial literacy level of working women's based on their financial knowledge, attitude and behaviour relating to their personal finances in the state of Rajasthan and reported low level of awareness about financial planning toll's and techniques, furthermore single women outperformed married women in terms of their financial literacy score. (Purohit, 2016) conducted a study on the level of awareness about various government welfare schemes among rural women's in Tonk district of Rajasthan and reported a low level of awareness about various government schemes, consequences of inflation and avenues for savings. (Madeep Kaur, 2015) attempts to find out the level of financial literacy among university students in Amritsar Punjab. They found a fairly good level of financial literacy among students having commerce and economics background as compared to other subjects and suggested to introduce financial and economics concepts in the courses (interdisciplinary courses) so as to enable the students from other disciplines to deal in financial products and services. (Summit Agarwal, 2015) found that peoples were financially literate and revealed a strong association of education, gender and investor aggressiveness with financial literacy. Moreover, they argued that financial literacy leads to better financial planning. (Swati 2015) carried out a study on the impact of financial literacy programs on financial literacy level of investors in Delhi and found a significant difference's in the level of financial literacy after attending financial literacy programs. (Lachhwani, 2015) attempts to measure the financial literacy of Kutch district in the state of Gujrat and found a mixed result. They found factors like a low-income group, late teens, married and lees education leads to low financial literacy and vice versa. Based upon the literature surveyed, it is evident that there are enormous studies available pertaining financial literacy. It is also apparent that number of research papers have been published various different dimensions, antecedents and consequences of financial literacy.

OBJECTIVES OF THE STUDY.

1. To assess the financial literacy among peoples in the un-organized sectors in Jammu and Kashmir.
2. To assess the readiness of people to take part in financial literacy programs and initiatives.
3. To assess the understanding of people regarding management of personal finances.
4. To check the perception of peoples towards financial matters.

RESEARCH METHODOLOGY.

The present study was conducted in the two districts in the state of Jammu and Kashmir Srinagar, and Kargil. The data collected was purely from primary sources. Questionnaire method was used to collect data. The questionnaires were first translated in the language understandable to the respondents and were asked to reply the questions. A total of 220 questionnaires were distributed among respondents out of which only 192 questionnaires were received. In the respondents only two were females. Financial literacy was measured on financial awareness, money management and financial readiness dimensions. The influence of demographic variable were age, monthly income, marital status and area on the three dimensions namely was separately analyzed with the help of SPSS (using descriptive statistics). Likert's five-point scale was used to analyze the findings.

ANALYSIS AND FINDINGS.

Descriptive statistics were computed to answer the study questions on financial literacy of peoples in the un-organized sectors. The means and standard deviations for these dimensions are shown in the table below.

TABLE 1.0

DIMENSIONS	N	MEAN	STANDARD DEVIATION
Financial awareness	192	2.9814	.80758
Money management	192	2.833	.90310
Financial readiness	192	3.2526	.79346

FINANCIAL AWARENESS:According to the result on the table majority of the people feel that they are financially aware and are having knowledge of financial planning or investing. Majority of the people in the sample size of **192** are of the opinion that they have the knowledge of personal financial management, and stay informed on financial planning development. These arguments are defended by a mean of **2.9814** and a standard deviation of **.80758** on a **5**-point rating scale. In other words, we can say that people in the un-organized sector believe that the are financially aware to the extent of **60%** and the standard deviation of **.80758** i.e. **16.15%** confirm this measure of statistical analysis.

MONEY MANAGEMENT:The descriptive statistics of the second dimension i.e. money management gives a mean of **2.833** that means people believe to the extent of **56.66%** that they dislike the investment decision because of lack of information regarding money management and investing, an are of the opinion that there is a need of more resource and information to make financial decision making in un-organized sectors easy and visible. This dimension has a standard deviation of **.90310** thereby making the above interpretation of mean more reliable. In other words, we can say that more than half of people in un-organized sector feels the tension and uneasiness when it come to make decision about financing their individual or business finance.

FINANCIAL READINESS:The third dimension of financial readiness has a mean source of **3.2526** and a standard deviation of **.79346** this mean score means that majority **65.05%** of the people in the un-organized sectors accept that they possess the understanding of information that they are provided about financial matters and a ready to seek such information if provided through any medium of communication: the respondents belonging to thismajority are also of opinion that there are manageable amount of resources and information at their disposal that if exploited properly will help to build a strong asset base at individual or organizational level in un-organized sectors.After making analysis of the three dimension of the topic financial literacy among the people in un-organized sector we have tried to make an in-depthstatistical analysis of the above-mentioned dimensions i.e. taking each demographic variable separately and computing their respective means and standard deviation.The descriptive statistic of their demographic variable assisted us to understand different dimensions of financial literacy of the people in the un-organized sectors segment wise.

TABLE 1.1DEMOGRAPHIC VARIABLE = AGE.

AGE	FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
20-24	28	14.6	14.6	14.6
25-34	71	37.0	37.0	51.6
35-44	30	15.6	15.6	67.2
45-54	43	22.4	22.4	89.6
55-64	20	10.4	10.4	100.0
Total	192	100.0	100.0	

TABLE 1.2DEMOGRAPHIC VARIABLE = MONTHLY INCOME.

MONTHLY INCOME	FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
<5000	4	2.1	2.1	2.1
5001-10000	19	9.9	9.9	12.0
10001-15000	15	7.8	7.8	19.8

15001-20000	38	19.8	19.8	39.6
20001-25000	51	26.6	26.6	66.1
>25000	65	33.9	33.9	100
Total	192	100.0	100.0	

TABLE 1.3 DEMOGRAPHIC VARIABLE = MARITAL STATUS.

MARITAL STATUS	FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Unmarried	58	29.2	29.2	29.2
Married	138	70.8	70.8	100.0
Total	192	100.0	100.0	

TABLE 1.4 DEMOGRAPHIC VARIABLE = AREA.

AREA	FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Rural	130	67.7	67.7	67.7
Urban	62	32.3	32.3	100.0
Total	192	100.0	100.0	

TABLE 1.5 (A)

DIMENSION	AGE GROUP 20-24			AGE GROUP 25-34			AGE GROUP 35-44		
	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>
Financial awareness	28	3.1939	.78073	71	3.0221	.72629	30	3.2238	.77039
Money management	28	3.0476	1.04513	71	2.9202	1.01491	30	2.9444	.96325
Financial readiness	28	3.2768	.99382	71	3.1338	.66525	30	3.2833	.95080

TABLE 1.5 (B)

DIMENSION	AGE GROUP 45-54			AGE GROUP 55-64		
	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>
Financial awareness	43	2.8306	.60389	20	2.5000	1.25442
Money management	43	2.5504	.45937	20	2.6667	.80204

Financial readiness	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>
	43	3.4709	.72418	20	3.1250	.75872

TABLE 1.6 (A)

DIMENSIONS	MONTHLY INCOME <5000			MONTHLY INCOME 5001-10000`			MONTHLY INCOME 10001-15000		
	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>
Financial awareness	4	1.8571	.00000	19	2.9023	.77672	15	2.6762	.53307
Money management	4	4.3333	.00000	19	4.0702	.43856	15	3.4889	.88968
Financial awareness	4	1.0000	.00000	19	2.7105	.81761	15	2.8167	.83166

TABLE 1.6 (B)

DIMENSIONS	MONTHLY INCOME 15001-20000			MONTHLY INCOME 20001-25000			MONTHLY INCOME >25000		
	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>
Financial awareness	38	2.8722	.94923	51	2.7811	.8381	65	1.8672	.00000
Money management	38	2.9298	.69817	51	2.8187	.58706	65	4.5555	.00000
Financial readiness	38	3.3816	.60050	51	3.2705	.50060	65	2.2726	.00000

TABLE 1.7

DIMENSION	MARITAL STATUS =MARRIED			MARITAL STATUS = UN-MARRIED		
	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>
Financial awareness	136	2.8393	.82907	56	3.0804	.63755
Money management	136	2.6740	.79656	56	3.2202	1.02942
Financial readiness	136	3.3235	.75161	56	3.0804	.87009

TABLE 1.8

DIMENSION	AREA = RURAL			AREA = URBAN		
	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>
Financial awareness						

	<i>deviation</i>					
Money management	130	3.0264	.73788	62	2.8871	.93665
	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>
Financial readiness	130	2.9077	.94374	62	2.6774	.79609
	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>
	130	3.1769	.75959	62	3.4113	.84458

Table 1.1 to Table1.4 shows the frequency, percentiles and cumulative percentiles of various demographic variables of the respondents whereas form table 1.5(A) to table 1.8 shows the means and standard deviations of financial literacy of the respondents on the dimensions of financial awareness, money management and financial readiness which illustrates that on an average of above 60% peoples in the un-organized sectors in the state of Jammu and Kashmir are financially aware, and shows that majority of people living in the organized sectors do posses good knowledge of with regards to their money management and are always readily available to get any source of information with regard to financial literacy.

CONCLUSION AND SUGGESTIONS.

Finance is considered as the lifeline of every individual, but managing these financial resources is becoming more difficult with each passing day. The worst sufferers of these problems are the people who are financially unaware. Although the government of different countries have put their efforts to resolve the burden of their peoples by providing the various financial products and subsidies. However, by providing financial products and subsidies to the people is not enough because it will ultimately erode the economy of a particular country/state. People also need to be educated in term of basic financial products not only but also their benefits. Thereby providing financial literacy programs to the peoples with a special focus on socially backward would help them to know about various banking products and benefits of availing these services will result in the enhancement of their saving rates. Thus, the need of the hour for the policymakers is to keep a close vigil on the financial education of people in the un-organized sectors and organized sectors as well. Since this study have assessed the financial literacy of people on the three dimensions viz. financial awareness, money management and financial readiness and statistical inference in the previous section demonstrates that people in the state of Jammu and Kashmir are somewhat financially literate and have some understanding of financial products. The respondent's response in this study showed that people treat themselves knowledgeable enough to make financial decisions. An important finding of this study is that financial literacy has a direct impact on the earnings of the people. With the increase in the level of the income people tend to become more serious towards seeking financial information which is depicted by the increase in the dimension of financial readiness. The people with the lower level of income are more hesitant in making financial decisions and are more content with their money and try to make use of the available money in an austere manner rather than expanding their income and spend liberally, thereby meaning that they are better at money management. Hence, it is can be concluded that there is a direct correlation between monthly income, financial awareness and financial readiness whereas there is an indirect correlation between monthly income and money management. Another important finding of this study revealed that people irrespective of their area, marital status, age all face at their respective level is that they are hesitant before making any financial decisions and do admit that they are in dire need of financial education that will help them in their decision makings in term of their financial planning and investments. Based on the findings some suggestions that would be beneficial to increase and boost the financial literacy among people in the un-organized sectors of Jammu and Kashmir has been made are. First there should be periodic financial awareness programs for people at village levels focusing particularly on the younger segments of the population in rural areas, who despite having adequate resources lack the proper guidance to invest in business projects, and that

financial programs should not be left exclusively to the government rather financial institution also needs to come forward to make people aware of their services. Second, the state government and the academic authorities should come up with a policy of bringing the basics of financial management at least at the middle and high school level among the children which will certainly improve the financial literacy in the state of the Jammu and Kashmir. Third, it is suggested that financial institution should come up with financial products which are fit to need of common people and awareness materials should be frequently be published in the local dailies.

Limitations and Future Research.

As with most studies this study has certain limitations, and the findings should be viewed in view of these limitations. The data has been taken from only two districts in the state of Jammu and Kashmir (Srinagar and Kargil). Though all possible efforts were made to make the study objective and precise but still certain limitations are always exists which is the sample size of the study, only 220 questionnaires were distributed among the respondents 110 questionnaires in each district, future studies can also be conducted by including bigger sample size and more districts from both the divisions of the state as the current study is limited to the Kashmir division only. This incorporated only 2 females, reason being females were shy and hesitant in responding the questionnaires hence the results cannot be generalized to gender future studies can be conducted by incorporating more female respondents. The respondents responded to the questions during the working hours, so they were in hurry to respond to the questions which may have affected the quality of data, future studies can do interview the respondents during the non-working hours. Another limitation of this study is the inclusion of only three dimensions of financial literacy. Since it is a wide area hence, future research can be conducted by including more dimensions of financial literacy.

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