

An analysis of Financial Literacy among the Private College Teachers in Coimbatore city

¹Mrs. P. Chandradevi & ²Dr. R. Dhanalakshmi

¹Assistant Professor, Department of Commerce, Sri Krishna Arts and Science College (India)

²Government Arts and Science College (India)

ARTICLE DETAILS

Article History

Published Online: 07 August 2018

Keywords

Finance, Investment Pattern,
Investment Avenues

ABSTRACT

The research study was based on the micro economic approach of estimating the responses of the respondents i.e. Private College Teachers towards the Financial Literacy in the Coimbatore city. The aim of the study was to determine the relationship between the savings and investments literacy among the teachers. The study was done on the different Private College Teachers. The data were collected by distributing a structured questionnaire to 12 Private College Teachers in different Colleges of Coimbatore city. In spite of low income the teachers have been saving for future needs. The major impact on savings is due to the level of income of the Private College Teachers. The research shows that the majority of the respondents is saving money as Bank deposits and Insurance for the safety of an unpredictable future. The main avenues of investment are Bank deposits and the main purpose of investment is for children's education, marriage, and security after retirement.

1. Introduction

Money is the important factor for every person in their life. Likewise Investment is another important Factor to be considered in this real world. If there is a proper investment plan the individual can able to safeguard himself as well as their family. The proper investment and saving pattern helps the family to be safe. Savings means sacrificing the current consumption in order to increase the living standard and fulfilling the daily requirements in future. The saving can be done in different ways by making bank deposits, increase in cash reserve. One of the best ways of saving is to create an automatic saving plan. Savings plays very important role in making of the household and the national economy. Savings provides the financial protection to the individual saver at the time of emergency. It is necessary to have saving plan because it will help in meeting financial goals like secure future, children's education, meeting the demands of the family etc.

Apart from the above initiative, there are various reasons for saving which could be as follows: Emergencies in future:- The funds are necessary in order to meet the consequences in future like sudden accident, repairing of car, house construction, etc. Secure future: - After retirement, savings are a source of funds with which the individuals could continue a decent and reasonable lifestyle when all the income streams stops. Sudden death:-How can loved ones cope up with the financial problems that may result from the sudden death of any of the family members? Savings helps in coping up with these types of situation. Specific purpose or goal / satisfaction: - This might be reason for savings like for e.g.:- for financing the child's education, for the down payment for a car or house or for a holiday. Economic development: - Savings play a very important role in building up of the national economy. Through savings, the national income increases that lead to the development of the economy. Investment: - Investment is an economic activity of employment of funds with the expectation of receiving a stream of benefits in the future. Investment is mainly done with the objective like wanting a home, creating a

regular income after retirement, and possessing money for the child's education.

2. Statement of the problem

The people save the money in order to meet the financial requirement in future because the future is unpredictable. So savings are required in order to meet the financial requirements. There is a vast scope of savings and investment because of the presence of a large number of small industrialists, businessman, and government employees in Coimbatore and the circulation of money is also high. This study has been done to analyze the savings and investment pattern of Private College teachers of Coimbatore city.

3. Scope of the study

The research study covers Private College teachers of Coimbatore city on their different patterns of savings and investments.

4. Objectives of the study

1. To evaluate the saving habits of Private College teachers of Coimbatore city.
2. To analyze the investment pattern of Private College teachers of Coimbatore city.
3. To offer suggestions based on findings.

5. Methodology

The research study is based on both primary and secondary data. Primary data has been collected by conducting a survey among 140 samples of Private College teachers of Coimbatore city. The secondary data have been collected from books, journal, newspaper, periodicals, reports, internet and published and unpublished thesis.

Sampling Design

For the purpose of research 10 private college teachers of Coimbatore city were selected. Convenient sampling method was adopted.

6. Literature review

Financial Literacy in India

Various surveys show that the level of financial literacy of Indians is low. India stands in the 23rd position out of 27 countries in the recent survey conducted by Visa. Our government and other agencies have taken various steps to overcome the gap. The following are some of the initiatives taken:

- Inclusion of financial literacy in School curriculum
- 658 financial literacy centers are operating all over India to spread financial literacy.
- SEBI initiated nationwide campaign to spread financial education to various target segments such as students in schools and universities, working executives, home makers, retired personnel, self-help groups, etc.
- Seminars on various aspects like savings, investment, financial planning, banking, insurance, retirement planning, etc.
- More than 3,500 workshops were conducted
- 'Essentials of Investing': A set of 11 booklets
- 'Markets in Motion': A weekly briefing on major developments in economy and finance.
- Many programs and competitions are conducted among the kids to develop the awareness of financial literacy

Increased variety of products and the instability of the global economy in twenty first century caused increasing complexity of financial decisions and also caused consumers faced with the challenge in economic and financial activities. For this reason, in the last decade, the importance of financial management skills in personal and work life has increased and researches in this area has been done.

The following section gives the general studies made related to financial literacy.

Avinash Kumar Singh (2006) The study entitled "Investment Pattern of People" has been undertaken with the objective, to analyze the investment pattern of people in Bangalore city and Bhubaneswar analysis of the study was undertaken with the help of survey conducted .After analysis and interpretation of data it is concluded that in Bangalore investors are more aware about various investment avenues & the risk associated with that. All the age groups give more important to invest in equity & except people those who are above 50 give important to insurance, fixed deposits and tax saving benefits. Generally those investors who are invested in equity, are personally follow the stock market frequently i.e. in daily basis. But those who are invested in mutual funds are watch stock market weekly or fortnightly. In Bangalore, investors are more aware about various investment avenues and the risk associated with that. But in Bhubaneswar, investors are more conservative in nature and they prefer to

invest in those avenues where risk is less like bank deposits, small savings, post office savings etc.

Sudalaimuthu and senthil kumar (2008) Mutual fund is the one of investment avenues the researcher research in this area about investors perception towards mutual fund investments has been analyzed effectively taking into account the investors reference towards the mutual fund sector, scheme type, purchase of mutual fund units, level of risks undertaken by investors, source of information about the market value of the units, investors opinion on factors influenced to invest in mutual funds, the investors satisfaction level towards various motivating factors, source of awareness of mutual fund schemes, types of plan held by the investors, awareness of risk category by investors, problems faced by mutual fund investors. Running a successful mutual fund requires complete understanding of the peculiarities of the Indian Stock Market and also the awareness of the small investor. The study has made an attempt to understand the financial behavior of mutual fund investors in connection with the scheme preference and selection. An important element in the success of a marketing strategy is the ability to fulfill investor expectation. The result of these studies through satisfactory on the investor's perception about the mutual funds and the factors determining their investment decisions and preferences. The study will be useful to the mutual fund industry to understand the investor's perception towards mutual funds investments and the study would also be informative to the investors.

7. Limitations of the study

1. The study is limited to the age group of 25-55.
2. Data will be collected among the Private college teacher alone in Coimbatore city, therefore the results cannot be generalized.
3. The study focuses on the level of financial literacy they possess and the results will not ensure the financial wellbeing of the sample.

8. Analysis

The analysis shows that insurance is the preferred investment avenues for Private College Teachers.

For the purpose of research 6 private college without Autonomous status and 5 private College with Autonomous were selected. Convenient sampling method was adopted.

Socio- Economic Status of the Respondents

The socio – economic status of the respondents influences the investment habits of the people. Therefore the researcher analyses the socio- economic status of the respondents. Table 1 shows the economic status of the respondents. It is clear from Table 1 that of the 140 respondents, 65 % respondents were male and 75% respondents were Female. 22 % belonged to the age below 25 years, 42 % in the age group of 25-35 years, 40 % in the age group of 40-45 years and 36 % in the age group of more than 45 Years . Those who were under graduate were 21 %and postgraduate were 29%. PG with Mphil were 50% and Others were 40 percent. 38 % of teachers were single, 98 % were married, 2% divorced and 2 % of the respondents were widow. Annual income 18% less than

1,00,000, 43% an annual income of Rs.1, 00,000-Rs.2, 00,000 3,00,000.respectively. and Rs.2, 00,000-Rs.3, 00,000 were 55 % and 24 % more than

Table 1 : Socio Economic Status of the Respondents

Sr. No.	Status	Number of respondents	Percentage
Gender			
1	Male	65	65
2	Female	75	75
	Total	140	140
Age			
1	<25 Years	22	22
2	25-35 Years	42	42
3	35-45 Years	40	40
4	>45 Years	36	36
	Total	140	140
Qualification			
1	UG	21	21
2	PG	29	29
3	PG with Mphil	50	50
4	Others	40	40
	Total	140	140
Marital Status			
1	Single	38	38
2	Married	98	98
3	Divorced	2	2
4	Widow	2	2
	Total	140	140
Annual Income			
1	< Rs. 1,00,000	18	18
2	Rs. 1,00,000 – Rs. 2,00,000	43	43
3	Rs. 2,00,000 – Rs. 3,00,000	55	55
4	>Rs. 3,00,000	24	24
	Total	140	140

Table 2 shows the classification of the respondents on the basis of the Collegewhich they were working.

Table 2 : Category of College

Sr. No.	Types	Number of Respondents	Percentage to total
1	Private College	50	50
2	Private with Autonomus	90	90
	Total	140	140

It is clear from Table 2 that of the 140 respondents i.e., 50 % are from Private college without Autonomus comes under Universityand 90% from private with Autonomus status..

Majority of the sample teachers (90%) were working in the private with Autonomus.

Annual Saving of the Respondents

The savings normally depends upon the respondent's willingness to save money. Table 3 shows the classification of the respondents on the basis of their annual savings. 77 % of

the respondents have annual saving less than Rs. 50,000 , 42 % save income between Rs. 50,000- 1,00,000 and 21 % saved more than Rs. 1,00,000 per annum.

Table 3 : Classification of Respondents on the basis of their Annual Savings

Sr. No.	Average saving	Number of respondents	Percentage
1	< Rs. 50,000	77	77
2	Rs.50,000 – Rs. 1,00,000	42	42
3	>Rs. 1,00,000	21	21
	Total	140	140

Age and Yearly Saving

A cross tabulation was taken between the age and the annual savings of the respondents (Table 4)and it could be inferred that of the 140 sample of private college teachers, 72% were having annual savings below Rs. 50,000, 40 % had annual savings between Rs. 50,000 – 1,00,000, and remaining

28 % saved more than Rs. 1,00,000. Among the teachers those who save less than Rs 50,000, 26 were between 25-35 years of age, 22 were between 35-45 years of age and 20 belonged to above 45 years of age.

Table 4 : Details of Age and Annual Saving of Respondents Relationship between Income and Saving

Sr.No.	Age	Annual Saving			Total
		< Rs. 50,000	Rs.50,000 – Rs. 1,00,000	>Rs. 1,00,000	
1	< 25 Years	4	1	5	10
2	25-35 Years	26	9	9	44
3	35-45 Years	22	22	8	52
4	>45 Years	20	8	6	34
	Total	72	40	28	140

In order to analyze the relationship between the income and savings, chi-square test has been applied. Table 5 shows the cross tabulation between the Annual Income and Savings. It could be inferred that of the total sample respondents, 8 had

annual income below Rs1,00,000, 33 were having an annual income of Rs. 1,00,000 – 2,00,000, 45 respondents having the income of Rs. 2,00,000-3,00,000, and remaining 14 respondents had annual income more than Rs. 3,00,000.

Table 5 : Opinion of Respondents on Annual Income and Annual Saving

Sr.No.	Annual Income	Annual Saving			Total
		< Rs. 50,000	Rs.50,000 – Rs. 1,00,000	>Rs. 1,00,000	
1	< Rs.1,00,000	4	1	5	10
2	Rs.1,00,000- Rs.2,00,000	26	9	9	44
3	Rs.2,00,000- Rs.3,00,000	22	22	8	52
4	>Rs.3,00,000	20	8	6	34
	Total	72	40	28	140

Chi-Square Test

Chi-square test is applied in statistics to test the goodness of fit to verify the distribution of observed data with assumed theoretical distribution. Therefore it is a measure to study the divergence of actual and expected frequencies. It is commonly used to compare observed data with data we would expect to obtain according to a specific hypothesis framed earlier.

Null Hypothesis: There is no significant relationship between the annual income and annual savings of the respondents.

Table 6:Result of the Chi-Square Test

Degree of Freedom	6
Table Value at 5 percent level	12.592
Calculated Value	42.659

Since the calculated value 42.659 is more than table value at 5 percent level of significance, we reject the null hypothesis it is concluded that there is a significant relationship between income and savings.

$$(O-E)^2$$

$$\text{Chi-square test } (\chi^2) = \frac{\dots}{E}$$

$$E$$

O= Observed frequency , E= Expected frequency ,

Df=Degree of Freedom Df= (r-1) (c-1)

r= row c= column

Mode of Savings of the Respondents

Table 7 : Mode of Savings

Sr. No.	Saving Mode	Number of Respondents	Percentage
1	Insurance	43	43
2	Post Office	14	14
3	Bank Deposits	63	63
4	Others	20	20
	Total	140	140

As it shown in the table 7 that 43 % of the respondents were saving their money in Insurance. , 14 % were saving money in post office schemes and 63% in Bank Deposit and remaining 20 % were saving their money through other modes.

Reasons for Selecting a Particular Mode of Savings

To know about the reasons for selecting a particular mode of savings, it is seen in Table 8 that for 69 % of the respondents, the reason for selecting a particular mode was "Safety" followed 36 % for high rate of interest. Good customer service, proximity, tax concession were reasons for 12 %, 0 %, 23 % of the respondents. Nearly 60 % considered "Safety" for selecting a particular mode of savings.

Table 8 : Opinion of Respondents for Selecting the Particular Mode

Sr. No.	Reasons	Number of Respondents	Percentage
1	High Interest	36	36
2	Safety	69	69
3	Good Customer service	12	12

Table 10 : Annual Saving and Expected Rate of Return of Respondents

Sr. No.	Annual Saving	Expected Rate of Return of Respondents				No. Of Investors
		Below 5%	6-10%	11-15%	Above 15%	
1	< Rs. 50,000	19	20	28	15	82
2	Rs.50,000 – Rs. 1,00,000	7	11	13	6	37
3	>Rs. 1,00,000	4	4	10	3	21
	Total	25	54	41	20	140

It is clear from the Table 10 that 82 % of the investors with less than 50,000 annual savings range expected to have 11-15 % on their investment.

Student's T-Test

The student T-Test has been applied to find out whether there is any significant relationship between the gender, marital status and annual savings of the sample of the investors and the expected rate of return on their investments.

Table 11 : Table value and Calculated Value

Particulars	Table Value @5%	Calculated Value	Result
Gender and Rate of Return	1.960	-6.718	Not significant

4	Proximity	0	0
5	Tax concession	23	23
	Total	140	140

Ranking of Preference of Respondents on the type of Investment The sample respondents were asked to rank the factors on the basis of their preference on the type of their investment.

Table 9: Ranking of Preference of Respondents on the type of Investment

Sr. No.	Type of Investment	Weighted Average	Rank
1	Government Securities	15.6	5
2	Insurance	30.26	1
3	Gold/ Silver	21.4	3
4	Bank Deposits	24.33	2
5	Land/ Building	18.9	4

Table 9 shows the ranking preference on the type of investment by using weighted average score method. Among five preference of the investment alternatives, first rank went to the Insurance with 30.26 score followed Bank Deposit. Among the various investment alternative the first preference went to the Insurance.

Annual Savings and Expected Rate of Return

Savings are very important for the every income earner. And with the saving the investors always wants a good return. So to see the impact of annual savings with the expected rate of return the analysis have been made which is presented in Table 10.

For this purpose the following hypothesis has been framed.

Null Hypothesis: The relationship between the gender, marital status, and annual savings with expected rate of return of the respondents is not significant.

Marital status and Rate of Return	1.960	-4.344	Not significant
Annual Savings and Rate of Return	1.960	2.849	Significant

There is no significant relationship between the gender, marital status of the respondents and expected rate of return on their investments but significant relationship between the annual savings and the expected rate of return of the respondents.

9. Findings

1. Majority of the respondents were female, were in the age group of 25-35, were post graduate with M.Phil, were married and managing their family expenditure only with their income.
2. Majority of the respondents were having their annual income of 2, 00,000-3, 00,000 and more than three fourth of the respondents were managing their family expenditure by consulting their spouses.
3. More than three fourth of the respondent's savings were below Rs.5, 00, 00.
4. Majority of the investors prefers Insurance as their savings. Bank deposits are considered next to insurance.
5. There is significant relationship between income and saving.

6. There is no significant relationship between the annual income of the respondents and the expected rate of return on their investment.

10. Conclusion

Today the teaching community has started realizing the importance of money and money's worth. They are initiated to prepare a budget for the proposed expenses and compare it with the actual expenses met by them, so that they are not influenced by other tempting and fashionable expenses. It is evident from the study undertaken that most of the teachers are saving their money for the purpose of their children's education, marriage and other welfare expenses. From this analysis I conclude that majority of the employees are preferring Insurance rather than Real estate or others. As the life span nowadays are less compared to previous years so they are preferring Insurance because they are giving more importance to their family. From this Analysis I came to understand that income investment is more important for every people in their life.

References

1. Agarwal Y P, (1990), Statistical methods, Sterling Publishers Pvt. Ltd, New Delhi .
2. C R Kothari (2004), Research Methodology: Methods and techniques, 2nd edition, New age international publishers, New Delhi.
3. Gupta S P, (1996), Statistical Methods, Sultan Chand & Sons, New Delhi.
4. R Goymda Y Josephine (2005), Para teachers in India, Contemporary Education Dialogue 2, 193-224.
5. Ravichanan P, (2002), Research Methodolgy, Margam Publication.
6. Singh Preeti, (1986), Investment Management: Security Analysis and Portfolio Management, Himalaya Publishing House, Bombay.