

**Financial Literacy among the Customers of Commercial Banks in  
Tirunelveli District – A Critical Review**

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**ABSTRACT**

Financial literacy refers to the knowledge required for managing personal finance. Financial literacy is the study which is useful to understand finance. More specifically, it refers to an individual's ability to make informed judgments and effective decisions about the use and management of their money. Increasing range and complexity of products has made it very difficult for an ordinary person to take an informed decision. Financial literacy develops confidence, knowledge and skills to manage financial products and services enabling them to have more control of their present and future circumstances. Financial literacy of the customers of the Tirunelveli district is found poor as per the analysis. Also, customers' knowledge on the various components of financial literacy is also not satisfactory, except financial awareness. Thus it is clear from the analysis that customers have satisfactory knowledge on financial literacy, but poor in financial products, conception and financial services offered by the commercial banks.

**Keywords:** Financial literacy, financial products, financial conception, financial services, financial awareness.

**1. INTRODUCTION**

Financial literacy refers to the knowledge required for managing personal finance. Financial literacy is the study which is useful to understand finance. More specifically, it refers to an individual's ability to make informed judgments and effective decisions about the use and management of their money. 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. Financial literacy goes beyond the provision of financial information and advice. The focus of any discussion on financial literacy is primarily of the individual, who usually has limited resources and skills to appreciate the complexities of financial dealings with financial intermediaries on a day to day basis.

**2. IMPORTANCE OF FINANCIAL LITERACY**

Financial literacy is considered as an important adjunct for promoting financial inclusion, consumer protection and ultimately financial stability. Financial inclusion and financial literacy need to go hand in hand to enable the common man to understand the needs and benefits of the products and services offered by the formal financial institutions. Increasing range and complexity of products has made it very difficult for an ordinary person to take an informed decision. Financial literacy develops confidence, knowledge and skills to manage financial products and services enabling them to have more control of their present and future circumstances. Financial literacy will help in protecting society and individuals against

exploitative financial schemes and exorbitant interest rate charged by moneylenders. Financial education will help to avoid over-indebtedness, improve quality of services and make wise financial decisions. Small entrepreneurs who would be educated and already have a business sense will benefit through awareness about new financial products and help them to understand the dynamics of market mechanism and improve their business dealings. Financial education can lead to multiplier effects in the economy. A well-educated household would resort to regular savings, which in turn would lead to investment in right channels and income generation. The financial well-being of individuals will in turn increase the welfare of the society.

### **3. STATEMENT OF THE PROBLEM**

Financial literacy is the process by which investors improve their understanding of financial markets products, concepts and risks. Through information and objective advice, they develop the skills and confidence to become more aware of financial risks and opportunities and make informed choices to improve their financial position. Financial literacy goes beyond the provision of financial information and advice. It is the ability to know, monitor and effectively use financial resources to enhance the well-being and economic security of one self, one's family and one's business. Financial literacy plays a significant role in the efficient allocation of household savings and the ability to seek sound financial advice. Financial literacy has assumed greater importance in recent years as financial markets have become increasingly complex and the common man finds it very difficult to make informed decisions. Financial literacy is considered an important adjunct for promoting financial inclusion and ultimately financial stability. Hence the present study entitled as 'Financial Literacy among the customers of commercial banks in Tirunelveli district –A critical review'.

### **4. OBJECTIVES**

- To analyse the factors promoting financial literacy among the customers of commercial banks in Tirunelveli district based on the education and occupation.
- To offer suggestions and recommendations to improve financial literacy among people in Tirunelveli district.

### **5. HYPOTHESIS**

There is no significant difference among the factors promoting financial literacy among the customers of commercial banks in Tirunelveli district based on the education and occupation.

### **6. METHODOLOGY**

The present study is carried out in Tirunelveli district. The study is an empirical one based on survey method. The data required for the study is collected from customers of various banks in Tirunelveli district using a structured interview schedule. The sample of the study is 600, which was divided equally among nationalized banks, old private sector banks, and new generation banks. Also, in each category of banks, two banks were selected. Manova test was applied to examine the financial literacy among the customers. To make the study properly, a five point Likert scale was administered among the respondents. The mean value obtained is further divided into three groups based on the quartile. Accordingly mean value less than 3.02 is treated as low effect, mean value in between 3.02 to 3.4 is having moderate effect and mean

value more than 3.4 has high effect. The details of the analysis done in this regard are discussed below.

**7. RESULT AND DISCUSSION**

**DESCRIPTIVE STATISTICS -FINANCIAL LITERACY**

<b>FINANCIAL LITERACY</b>	<b>EDUCATION</b>	<b>OCCUPATION</b>	<b>MEAN</b>	<b>STD. DEVIATION</b>	<b>N</b>	<b>EFFECT</b>
Financial Services	Upto SSLC	Self-occupied	1.7935	.32035	31	Low
		Agriculture	1.7756	.38800	123	Low
		Total	1.7792	.37446	154	Low
	HSS	Employees	1.8200	.35664	80	Low
		Agriculture	1.7377	.34553	61	Low
		Total	1.7844	.35300	141	Low
	Degree	Professionals	1.9091	.36181	11	Low
		Employees	1.8047	.38542	85	Low
		Self-occupied	1.6586	.30667	58	Low
		Total	1.7571	.36297	154	Low
	Professional	Professionals	2.9787	.54730	47	Low
		Employees	1.9778	.60369	9	Low
		Self-occupied	2.3579	.80472	95	Low
		Total	2.5285	.78565	151	Low
	Total	Professionals	2.7759	.66605	58	Low
		Employees	1.8207	.38532	174	Low
		Self-occupied	2.0424	.69828	184	Low
		Agriculture	1.7630	.37394	184	Low
		Total	1.9633	.60071	600	Low
	Financial Conception	Upto SSLC	Self-occupied	1.8000	.24766	31
Agriculture			1.5252	.34489	123	Low
Total			1.5805	.34510	154	Low
HSS		Employees	1.4225	.36421	80	Low
		Agriculture	1.4557	.33888	61	Low
		Total	1.4369	.35263	141	Low
Degree		Professionals	2.0182	.16624	11	Low
		Employees	1.4353	.33406	85	Low
		Self-occupied	1.7241	.25361	58	Low
		Total	1.5857	.34687	154	Low
Professional		Professionals	3.4511	.53644	47	Moderate
		Employees	2.0000	.67823	9	Low
		Self-occupied	2.5368	1.07318	95	Low
		Total	2.7894	1.02444	151	Low
Total		Professionals	3.1793	.74710	58	Moderate
		Employees	1.4586	.39006	174	Low
		Self-occupied	2.1565	.88179	184	Low
		Agriculture	1.5022	.34355	184	Low
		Total	1.8523	.80764	600	Low
Financial		Up to SSLC	Self-occupied	3.3194	.46362	31

Awareness		Agriculture	3.0992	.43221	123	Moderate	
		Total	3.1435	.44603	154	Moderate	
	HSS	Employees	2.9950	.42483	80	Low	
		Agriculture	3.0656	.41988	61	Moderate	
		Total	3.0255	.42265	141	Moderate	
	Degree	Professionals	3.5000	.00000	11	High	
		Employees	2.9341	.42749	85	Low	
		Self-occupied	3.3414	.37089	58	Moderate	
		Total	3.1279	.44685	154	Moderate	
	Professional	Professionals	3.2213	.68428	47	Moderate	
		Employees	3.4444	.16667	9	High	
		Self-occupied	3.2600	.43477	95	Moderate	
		Total	3.2589	.51579	151	Moderate	
	Total	Professionals	3.2741	.62452	58	Moderate	
		Employees	2.9885	.42979	174	Low	
		Self-occupied	3.2957	.42023	184	Moderate	
		Agriculture	3.0880	.42730	184	Moderate	
		Total	3.1408	.46570	600	Moderate	
	Financial Products	Up to SSLC	Self-occupied	2.4258	.40247	31	Low
			Agriculture	2.4618	.49861	123	Low
Total			2.4545	.47980	154	Low	
HSS		Employees	2.4350	.44068	80	Low	
		Agriculture	2.4492	.51982	61	Low	
		Total	2.4411	.47480	141	Low	
Degree		Professionals	2.5273	.52362	11	Low	
		Employees	2.4965	.47470	85	Low	
		Self-occupied	2.5138	.47552	58	Low	
		Total	2.5052	.47538	154	Low	
Professional		Professionals	2.5191	.52197	47	Low	
		Employees	2.2222	.41767	9	Low	
		Self-occupied	2.4716	.50438	95	Low	
		Total	2.4715	.50667	151	Low	
Total		Professionals	2.5207	.51767	58	Low	
		Employees	2.4540	.45827	174	Low	
		Self-occupied	2.4772	.47807	184	Low	
		Agriculture	2.4576	.50435	184	Low	
		Total	2.4687	.48381	600	Low	

Source: Primary data

**TABLE NO 1**

The financial literacy of the customers was examined by evaluating literacy on financial services, financial conception, financial awareness and financial product. Further, these sub variables were examined with the help of the grouping variables educational status and occupation of the bank customers. From the above table it is noted that the mean value assigned by the customers to the Financial Services is found low (Mean value<3.02). Thus it is clear that based on the educational status and occupation of the bank customers, the financial literacy of the customers about the various Financial Services of the commercial banks is poor. Similarly, the mean value assigned by the customers to the Financial Conception is found low (Mean

value<3.02) for all bank customers, except the customers having professional degree working as professional, which is found moderate. Thus it is clear that based on the educational status and occupation of the bank customers, the Financial literacy of the customers about the various Financial Services of the commercial banks is poor. With reference to the Financial Awareness, the mean value assigned by the employees, who are having HSS and Degree qualification is found low (Mean value  $2.99 \pm 0.42$  &  $2.93 \pm 0.42$ ). All classifications are either moderate or high, which is found satisfactory. Thus it is clear that based on the educational status and occupation of the bank customers, the financial literacy of the customers about the various Financial Awareness of the commercial banks is satisfactory. The mean value assigned by the customers to the Financial Products is found low (Mean value <3.02). Thus it is clear that based on the educational status and occupation of the bank customers, the financial literacy of the customers about the various Financial Products of the commercial banks is poor.

**MULTIVARIATE TESTS -FINANCIAL LITERACY**

EFFECT		VALUE	F	HYPOTHESIS DF	ERROR DF	SIG.
Intercept	Pillai's Trace	.982	8114.174 <sup>b</sup>	4.000	587.000	<0.001
	Wilks' Lambda	.018	8114.174 <sup>b</sup>	4.000	587.000	<0.001
	Hotelling's Trace	55.292	8114.174 <sup>b</sup>	4.000	587.000	<0.001
	Roy's Largest Root	55.292	8114.174 <sup>b</sup>	4.000	587.000	<0.001
Education	Pillai's Trace	.189	9.906	12.000	1767.000	<0.001
	<b>Wilks' Lambda</b>	<b>.813</b>	<b>10.546</b>	<b>12.000</b>	<b>1553.348</b>	<b>&lt;0.001</b>
	Hotelling's Trace	.228	11.121	12.000	1757.000	<0.001
	Roy's Largest Root	.217	31.945 <sup>c</sup>	4.000	589.000	<0.001
Occupation	Pillai's Trace	.124	6.360	12.000	1767.000	<0.001
	<b>Wilks' Lambda</b>	<b>.877</b>	<b>6.566</b>	<b>12.000</b>	<b>1553.348</b>	<b>&lt;0.001</b>
	Hotelling's Trace	.138	6.743	12.000	1757.000	<0.001
	Roy's Largest Root	.125	18.348 <sup>c</sup>	4.000	589.000	<0.001
Education * Occupation	Pillai's Trace	.061	3.057	12.000	1767.000	<0.001
	<b>Wilks' Lambda</b>	<b>.939</b>	<b>3.095</b>	<b>12.000</b>	<b>1553.348</b>	<b>&lt;0.001</b>
	Hotelling's Trace	.064	3.127	12.000	1757.000	<0.001
	Roy's Largest Root	.056	8.290 <sup>c</sup>	4.000	589.000	<0.001
a. Design: Intercept + @7 + @8 + @7 * @8						
b. Exact statistic						
c. The statistic is an upper bound on F that yields a lower bound on the significance level.						

Source: Primary data

**TABLE NO 2**

The multivariate test showed the fact that there is significant difference among the customers of commercial banks of Tirunelveli district with reference to the educational qualification and occupational status on the financial literacy as the p value of Anova test based on **Wilks' Lambda** is  $<0.001(p<5\%)$ . Similarly, the interaction effect of the Education with Occupation also showed there is significant difference among the customers of commercial banks of Thirunelveli district with reference to financial literacy, as the p value of Anova test based on **Wilks' Lambda** is  $<0.001(p<5\%)$ .

**TESTS OF BETWEEN-SUBJECTS EFFECTS -FINANCIAL LITERACY**

SOURCE	DEPENDENT VARIABLE	TYPE III SUM OF SQUARES	DF	MEAN SQUARE	F	SIG.
Corrected Model	Financial Services	80.783 <sup>a</sup>	9	8.976	39.120	<0.001
	Financial Conception	218.500 <sup>b</sup>	9	24.278	83.173	<0.001
	Financial Awareness	13.115 <sup>c</sup>	9	1.457	7.361	<0.001
	Financial Products	1.065 <sup>d</sup>	9	.118	.502	.873
Intercept	Financial Services	1214.709	1	1214.709	5294.194	<0.001
	Financial Conception	1153.050	1	1153.050	3950.244	<0.001
	Financial Awareness	3188.251	1	3188.251	16105.766	<0.001
	Financial Products	1864.979	1	1864.979	7907.818	<0.001
Education	Financial Services	16.231	3	5.410	23.581	<0.001
	Financial Conception	32.167	3	10.722	36.733	<0.001
	Financial Awareness	.855	3	.285	1.440	.230
	Financial Products	.456	3	.152	.645	.587
Occupation	Financial Services	6.758	3	2.253	9.818	<0.001
	Financial Conception	19.681	3	6.560	22.475	<0.001
	Financial Awareness	1.203	3	.401	2.026	.109
	Financial Products	.546	3	.182	.772	.510
Education * Occupation	Financial Services	3.463	3	1.154	5.031	.002
	Financial Conception	3.707	3	1.236	4.233	.006
	Financial Awareness	3.030	3	1.010	5.102	.002
	Financial Products	.466	3	.155	.659	.578
Error	Financial Services	135.371	590	.229		
	Financial Conception	172.217	590	.292		
	Financial Awareness	116.795	590	.198		
	Financial Products	139.146	590	.236		
Total	Financial Services	2528.960	600			
	Financial Conception	2449.400	600			
	Financial Awareness	6048.810	600			
	Financial Products	3796.800	600			
Corrected Total	Financial Services	216.153	599			
	Financial Conception	390.717	599			
	Financial Awareness	129.910	599			
	Financial Products	140.211	599			
a. R Squared = .374 (Adjusted R Squared = .364)						
b. R Squared = .559 (Adjusted R Squared = .553)						
c. R Squared = .101 (Adjusted R Squared = .087)						
d. R Squared = .008 (Adjusted R Squared = -.008)						

Source: Primary data

**TABLE NO 3**

Tests of Between-Subjects Effects showed the fact that there is significant difference among the customers of commercial banks of Tirunelveli district with reference to the educational qualification on the financial services and financial conception as the p value of Anova test

is  $<0.001(p<5\%)$ . There is significant difference among the customers of commercial banks of Tirunelveli district with reference to the occupation on the financial services and financial conception as the p value of Anova test is  $<0.001(p<5\%)$ . Similarly, the interaction effect of the Education with Occupation also showed there is significant difference among the customers of commercial banks of Tirunelveli district with reference to financial services, financial conception and financial awareness as the p value of Anova test is  $<5\%$ .

## **8. CONCLUSIONS**

Thus it is clear that financial literacy of the customers of the Tirunelveli district is found poor as per the analysis. Also, customers' knowledge on the various components of financial literacy is also not satisfactory, except financial awareness. Thus it is clear from the analysis that customers have satisfactory knowledge on financial literacy, but poor in financial products, conception and financial services offered by the commercial banks. This has to be changed. RBI and commercial banks must consider this issue with utmost care. Financial literacy is a basic prerequisite for successful banking transactions and banks progress. Hence steps may be taken to make aware the customers of Thirunelveli district in a swift manner without any fail.

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