

## An assessment of financial responsibility in Tamilnadu

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### Abstract

Financial responsibility is the ability to appreciate the wider impact of financial decisions on personal circumstances. The present study was conducted among 529 respondents of different demographic groups. The results state that respondents are not aware of savings for the retirement and respondents are interested in stock market investments.

**Keywords:** Financial Responsibility, Financial Decision and Savings responsibility

### Introduction

In recent years, developed and emerging economies have become increasingly concerned about the level of financial literacy of their citizens. Financial literacy is now globally acknowledged as an important element of economic and financial stability and development (INFE, 2009). The increased complexity of the economy, financial markets and their regulations, valuation methods, and availability of different financial products (e.g., financial derivatives) have generated a strong move to study and to measure the financial literacy among high school and university students, as well as investors and professionals. Other factors that have generated interest in financial literacy include low savings rates, growing bankruptcy rates and debt levels, and increased responsibility among individuals for making decisions that affect their economic futures (Servon and Kaestner, 2008). Financial responsibility is the ability to appreciate the wider impact of financial decisions on personal circumstances, the family, and the broader community and to understand rights, responsibilities, and sources of advice or guidance (SEDI, 2004; Volpe *et al.*, 2006)

### Objectives of the Study

- To analyse the agreeability towards savings, budgeting and maintenance of records.
- To identify the reasons for savings
- To study the impact of demographic factors on financial responsibility.

### Review of Literature

**Global Financial Literacy survey (2012)** explored women and young adults are lagging in financial literacy and also studied that men do not discuss on money management in family. It was also found that family discussion were on budgeting, savings and spending behaviour. The survey concluded that India ranks 23<sup>rd</sup> among 28 countries.

**Gallery *et al.*, (2011)** proposed a framework by which the various demographic, social and related factors that influence member's financial literacy and its relationship with

investment choice decisions are identified. Improved theoretical understanding of the factors that are related with investment decision would allow development of well – targeted financial education programs

**Hastings *et al.*, (2010)** evaluated the relationship between financial literacy and economic outcomes among the pensioners from Chile. The study focused on basic financial literacy. The results found that awareness of financial concept is low and the study suggests that the policy makers have to decide themselves on the retirement saving plans and also know the cost benefit of the products in the financial market.

### Research Design

Primary data collection was done through survey method using a well-structured questionnaire. The Sample Size of 529 respondents in Tamilnadu (Chennai, Coimbatore, Madurai and Trichy) was chosen thro convenience sampling method. Percentage analysis, descriptive statistics, Garret ranking, ANOVA and t-test were used for the analysis through SPSS software.

### Analysis and Interpretation

#### Percentage Analysis

#### Amount of savings every month

**Table 1:** Amount of savings every month

Amount of savings every month	Frequency	Percentage
Same amount every month	114	21.6
Different amount every month	122	23.1
According to situation and needs	261	49.3
I don't save at all	32	6
Total	529	100

**Source:** Primary data

The above table shows that 21.6% of respondents save same amount every month, 23.1% of respondents save different amount, 49.3% of respondents save according to their situation and needs and 6% of respondents do not have the habit of saving.

## Maintenance of financial records

**Table 2:** Maintenance of financial records

Maintenance of financial records	Frequency	Percentage
Detailed records	246	46.5
No records	87	16.4
Records which is important	196	37.1
Total	529	100

Source: Primary data

The above table shows that 46.5% of respondents maintain detailed financial records, 16.4% of respondents do not maintain any records and the remaining 37.1% of respondents maintain the records which they consider as important.

The results of present study concur with Chen and Volpe (1998) [5], where majority of respondents' also maintained detailed financial record.

## Spending pattern

**Table 3:** Spending pattern

Spending pattern	Frequency	Percentage
Spending less than income	291	55
Spending more than income	112	21.2
Spending about equal to income	126	23.8
Total	529	100

Source: Primary data

The above shows the spending pattern of the respondents. 55% of the respondents spend less than their income, 21.2% of

them spend more than their income and 23.8% of respondents spend equal to their income.

## Savings for retirement life

**Table 4:** Savings for retirement life

Savings for retirement life	Frequency	Percentage
Yes	246	46.5
No	283	53.5
Total	529	100

Source: Primary data

The above table shows that 46.5% of respondents save and 53.5% do not save for their retirement life.

The results of the present study concur with Lusardi and Mitchell (2007) [7], where majority of the respondents have not planned for their retirement life.

Descriptive Statistics

## Savings behaviour

**Table 5:** Level of agreeability towards savings behaviour

Saving behaviour	N	Minimum	Maximum	Mean	Std. Deviation
Try to save on regular basis	529	1	5	4.204	0.9789
Save if there is a purpose	529	1	5	3.587	1.12247
There is no enough money to save	529	1	5	3.01	1.1522
Savings is not important to me	529	1	5	1.994	1.2255

The above table shows the financial responsibility on savings behaviour. In savings behaviour the respondents agreeability is high towards saving on regular basis (4.204) and the agreeability is low towards savings is not important to me (1.994).

The results of the present study concur with ANZ (2011), where majority of the respondents save on regular basis.

## Budgeting behaviour

**Table 6:** Level of agreeability towards budgeting behaviour

Budgeting behaviour	N	Minimum	Maximum	Mean	Std. Deviation
I think budget is important	529	1	5	3.834	1.13931
I stick on to budget	529	1	5	3.384	1.07758

The above table shows the financial responsibility on budgeting behaviour. In budgeting behaviour, the respondent's Agreeability is high towards the importance of budget (3.834) and then stick on to budget (3.384).

## Keeping records of income and expenditure

**Table 7:** Level of agreeability towards keeping records of income and expenditure

Keeping records of income and expenditure	N	Minimum	Maximum	Mean	Std. Deviation
Enter all expenses and incomes	529	1	5	3.673	0.8944
Expenses are entered but not all incomes	529	1	5	2.679	1.2024
Approximately we know the incomes and expenses	529	1	5	3.488	1.2371
We don't even have a vague idea about the incomes and expenses	529	1	5	2.692	1.3930
We don't keep records at all	529	1	5	2.603	1.2856

The respondents' agreeability is high towards entering all the expenses and incomes (3.673) and has a low agreeability towards not recording the income and expenditure (2.603).

### Garret Ranking

#### Reasons for savings/investments

**Table 8:** Reasons for savings/investments

Reasons for savings/investments	Rank Score	Rank
Unexpected expenses	46.90	VII
For retirement	39.09	X
High income in form of interest	45.06	VIII
Savings for children	42.71	IX
Better to save than to spend	56.63	II
For increasing the standard of living	50.20	V
To feel independent	53.14	IV
Family situation	50.04	VI
To invest in stock market	59.72	I
Others	56.49	III

The above table shows that investment in stock market ranks first with the rank score of 59.72, better to save than to spend ranks second with the rank score of 56.63, others (marriage and education etc) ranks third with the rank score of 56.49, to feel independent ranks fourth with the rank score of 53.14, to increase the standard of living ranks fifth with the rank score of 50.20, family situation ranks sixth with the rank score of 50.04, unexpected expenses ranks seventh with the rank score of 46.90, high income in form of interest ranks eighth with rank score of 45.06, savings for children ranks ninth with the rank score of 42.71 and retirement saving ranks tenth with the rank score of 39.09 amongst the reason for savings/investments.

ANOVA and t-Test

#### District and financial responsibility

H<sub>0</sub>: There is no significant difference between district and financial responsibility.

H<sub>1</sub>: There is a significant difference between district and financial responsibility.

**Table 9:** District and financial responsibility

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.582	3	1.527	6.079	0.000
Within Groups	131.895	525	0.251		
Total	136.476	528			

**Table 12:** Gender and financial responsibility

Financial responsibility	Gender	N	Mean	Std. Deviation	Std. Error Mean	T	Sig.
	Male	296	3.2494	0.53079	0.03085		
	Female	233	3.2969	0.47828	0.03133		

Female (3.2969) have high financial responsibility than male (3.2494). The t value is 2.807. The significant value is 0.094, which is more than acceptable value of 0.05 hence null hypotheses is accepted. It is inferred that gender does not influence the financial responsibility.

#### Findings

- Majority of respondents (46.5%) maintain detailed financial records.

The f value is 6.079 and the significant value is 0 which is less than the acceptable value of 0.05 hence null hypotheses is rejected and it is inferred that the district influences the financial responsibility.

#### Area of residence and financial responsibility

H<sub>0</sub>: There is no significant difference between the area of residence and financial responsibility.

H<sub>1</sub>: There is a significant difference between the area of residence and financial responsibility.

**Table 10:** Area of residence and financial responsibility

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.025	2	1.013	3.961	0.02
Within Groups	134.451	526	0.256		
Total	136.476	528			

The f value is 3.961 and the significant value is 0.02 which is less than the acceptable value of 0.05 hence null hypotheses is rejected and it is inferred that the area of residence influences financial responsibility.

#### Education qualification and financial responsibility

H<sub>0</sub>: There is no significant difference between educational qualification and financial responsibility.

H<sub>1</sub>: There is a significant difference between educational qualification and financial responsibility.

**Table 11:** Education qualification and financial responsibility

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	4.697	6	0.783	3.101	0.005
Within Groups	131.779	522	0.252		
Total	136.476	528			

The f value is 3.101 and the significant value is 0.005 which is less than the acceptable value of 0.05 hence null hypothesis is rejected, and it is inferred that education influences the financial responsibility.

#### Gender and financial responsibility

H<sub>0</sub>: There is no significant difference between gender and the financial responsibility.

H<sub>1</sub>: There is a significant difference between gender and the financial responsibility.

- Majority of respondents (49.3%) save according their needs and situation.
- Majority of respondents (55%) spend less than their income.
- Majority of respondents (53.5%) do not save for retirement
- The respondents agree that they try to save on regular basis.
- The respondents felt budget is important.

- The respondents agree that they enter all the expenses and income.
- Investment in stock market ranks first as the reason for savings.
- There is an impact of district, area of residence, educational qualification of the respondents on financial responsibility whereas there is no impact of gender of the respondents on financial responsibility.

### **Conclusion**

The study analysed the financial responsibility of the respondents. The respondents are not aware of savings for the retirement. Securities Exchange Securities exchange board of India (SEBI) or financial institutions can organise workshop on various aspects viz. savings, investment, stock markets, insurance and retirement planning. Seminars on retirement plans need to be conducted to create awareness for planning of finance for retirement life.

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