Abstract

The study examines the financial behavior of clients of a business correspondent using six dimensions which include - savings, financial decision making, deficit management, budgeting, surplus management, borrowing and timely payment of bills. Majority of the sample exhibited positive behavior in financial decision making, surplus management and borrowing behaviors. Budgeting, savings behavior and deficit management were the dimensions which had few respondents with positive behavior. The composite financial behavior is also analyzed with respect to demographic factors. It was found that gender and monthly income had no impact on financial behavior. However, age, education and occupation made a significant difference to the financial behavior. The study provides insights into the areas of financial behavior which need to be addressed in order to improve the overall financial literacy.

1. Introduction

According to the definition of Financial Literacy given by Organization for Economic Cooperation and Development (OECD), Financial Behavior is one of the four components of financial literacy, which in turn has been identified as a pre-requisite to promote financial inclusion. A financially literate individual is expected to exhibit positive behavior in terms of spending, saving, budgeting and borrowing.

Financial behavior is a composite of various dimensions or personal finance behaviors. Financial decision making behavior was assessed by examining if anyone in the family had personal or joint responsibility for daily household finances and if the respondents decided on the affordability before making a purchase. Household budgeting habits are important as it is the basic step which leads to control on finances. Timely payment of bills and other repayments reflects prudent financial behavior. Other important aspects of household finances include meeting a deficit in money and judicious use of any surplus resources as and when available. Financially literate
individuals use productive avenues to save money. Savings behavior of the respondents was assessed based on where they saved their money. Saving money at home or with friends and relatives shows poor savings behavior, while investing in assets or choosing post office schemes, banks reflect positive behavior. The purpose, for which respondents borrow money, such as for regular expenses, lifestyle requirements, unexpected expenses or big-ticket expenses, also is an important dimension which determines the financial behavior.

2. Objectives
The main objectives of the study are:
1. To understand the financial behavior of the clients of the business correspondent.
2. To study the impact of demographic factors on the financial behavior of the clients of the business correspondent.

3. Research Methodology
The sample consisted of 356 clients of business correspondent of Andhra Pradesh Grameen Vikas Bank in Venkiryal village, Nalgonda District, Telangana. Convenience random sampling was used to select the sample units. A questionnaire consisting of nine questions was used to capture the seven personal finance dimensions. These questions were based on Organization for Economic Cooperation and Development (OECD) Questionnaire for measuring financial literacy. Eight of the questions are rated on a 5-point Likert scale. An overall behavior score is arrived at by combining the information from the responses to the above six dimensions of financial behavior. This score serves as an indicator which helps in understanding the extent to which an individual is exhibiting positive or non-positive financial behavior. The scores were analyzed in relation to five demographic factors – gender, age, income, occupation and education levels. ANOVA and t-test were used to test the difference in means and Games-Howell post-hoc test was used to identify the categories with highest difference in mean behavior scores.

4. Results

**Financial Decision Making:** 64 percent of the respondents showed desirable or positive financial decision making behavior. This dimension was measured combining two parameters – Responsibility for financial decisions and deciding the affordability of a purchase. As 100 percent of the sample reported that they or some member of family is responsible for daily financial decisions, this represents the behavior related to deciding the affordability before making a purchase.

**Deficit Management:** Half of the sample exhibited poor deficit management behavior while 27 percent of the respondents are classified as showing neutral behavior. A very low 23 percent of the sample exhibited positive behavior on this dimension.

**Surplus Management:** Maximum percentage of respondents i.e. 74 percent were observed to have positive behavior concerning managing surplus funds. 20 percent of the sample exhibited neutral behavior while 6 percent showed negative behavior.

**Savings Behavior:** This dimension was observed to be very low in the sample as only 12 percent of the respondents exhibited positive savings behavior. Half of the sample was observed to exhibit neutral behavior. 38 percent of the sample showed undesirable or negative behavior.
Borrowing Behavior: This is also one of the dimensions where maximum respondents; at 63 percent, have exhibited positive behavior. 33 percent showed neutral behavior while only 4 percent of the sample exhibited undesirable or negative behavior.

Timely Bill Payment: 46 percent of the sample exhibited positive behavior regarding timely payments while both neutral and negative behavior was observed in 27 percent each of the sample.

Figure 1: Classification of respondents on dimensions of financial behavior

4.1 Demographics and Financial Behavior

Gender: The percentage of males and females exhibiting positive or desirable behavior is 35 and 31 respectively. 14 percent of the males and 10 percent of females showed negative behavior.

Independent t-test results showed that there is no statistically significant difference between the financial behavior of males and females in the sample.

Age: The highest percentage of respondents showing positive financial behavior is displayed by 25-34 years category at 35 percent, closely followed by 35-44 years age group. Age category of 55 years or more has no one displaying undesirable behavior. 74 percent of respondents, both in 45-55 years and 55 years or more categories, exhibited neutral behavior.

ANOVA showed that respondents from at least one of the age group categories differ significantly difference in financial behavior from respondents of other categories. Based on the results of ANOVA, post hoc test (Games Howell) showed that the respondents in the age group of 18-24 years scored significantly more on financial behavior when compared to the 45-54 years age group. The next significant difference is found between 25-34 years group and 45-54 years category.

Education: Those who studied degree had 50 percent of respondents displaying positive behavior. Respondents who completed class 10 and 12 showed highest percentage of who
exhibited negative behavior at 19 percent. The lowest percentage of respondents showing positive behavior was displayed by those who had no formal education at all.

- **ANOVA test** results showed that there is a statistically significant difference in the group means of scores on financial behavior obtained by the respondents in the various education level categories.

- **Games Howell test** found significant difference in financial behavior scores between respondents who completed their degree and those who were illiterate. The other education categories which showed significant difference with the graduate group are those who completed 12 class, 10 class, primary education and high school.

- **Occupation:** Highest percentage of 69 percent respondents exhibiting positive behavior was in the student category, followed by homemakers at 35.5 percent. All the unemployed respondents showed neutral behavior. 16 percent of the unemployed category and none of the students showed negative behavior.

- Testing of means by ANOVA showed statistically significant difference in the mean scores of various categories of occupation. The highest significant difference was found between the mean scores of students and self-employed respondents. This is followed by the difference between students and unemployed respondents.

- **Monthly Income:** 42 percent of respondents from Rs8000-12000 category exhibited desirable financial behavior. The highest percentage of 13 percent of respondents exhibiting negative or undesirable behavior was observed in 3 categories: Rs8000 – 12000, Rs12000 – 15000 and Rs15000-20000. The least percentage of respondents displaying positive behavior was in the Rs5000 – 8000 category at 12.5 percent.

- However ANOVA showed that there is no significant difference in the mean scores of financial behavior of respondents in different income categories.

### 5. Findings and Conclusions

i.) Responsibility for daily financial decisions was found in 100 percent of the sample and more than half the sample at 64 percent always or most of the times considered affordability of their purchases.

ii.) Household budgeting was not very common in the sample as 51 percent of the sample rarely or never maintained a note of their income and expenses.

iii.) In order to manage deficit in finances, the respondents showed a higher preference to borrow at low interest from friends and relatives, which shows lack of saving and relying on informal sources of funds.

iv.) 66 percent of respondents used surplus funds, when available on additional requirements such as gadgets, clothes, travel etc. Only half the sample said that they sometimes save surplus money for the future.

v.) The most popular avenue for saving money was with friends or family. 45 percent of the sample said that they rarely or never invest in assets. The bank account opened through the business correspondent was used for saving money regularly only by 14 percent of the sample.

vi.) Big ticket expenses such as education and marriage were the reason why 55 percent of the sample always borrowed money for. This shows lack of savings plan for such future expenses. 30 percent of the respondents also had to borrow for regular expenses most of the times.
vii.) The highest positive financial behavior was observed in surplus funds management at 74 percent of the sample followed by 64 percent for financial decision making. The highest negative behavior was for budgeting followed by deficit management.
viii.) Only 12 percent of the sample showed positive behavior in terms of savings, showing a lack of awareness and planning of finances.
ix.) Females had a higher mean score of financial behavior compared to males, however no significant statistical difference was found in the financial behavior of men and women in the sample.
x.) The highest mean score on financial behavior was observed in the 18-25 years age group while the highest percentage of respondents with positive behavior was in the 25-34 yrs category.
xii.) Respondents who completed graduation had the highest percentage of respondents exhibiting positive behavior while illiterates followed by those who completed class 10 had the lowest percentages at 22 percent and 23 percent respectively.
xiii.) The study shows that education played an important role in the financial behavior of the sample as clients who completed their graduation showed significantly better financial behavior when compared to illiterates, those with primary education, high school class10, and class12 education.
xiv.) Student category had the highest mean score on financial behavior followed by fixed monthly income earners. Students in the sample also had maximum percentage of 69 percent with positive financial behavior and no one with negative or undesirable behavior.
xv.) Students scored significantly higher on financial behavior when compared with self-employed and un-employed respondents.
xvi.) The Rs8000-12000 monthly income category had the maximum percentage of respondents with positive financial behavior. But no significant difference was observed in the financial behavior of respondents in the various income categories.

6. Suggestions
The financial literacy programs and workshops conducted for the business correspondent clients should focus on the following:

i.) Clients should be made aware of the benefits of household budgeting.
ii.) As education level was found to have a positive impact on financial behavior, efforts may be made to improve the literacy levels of the clients.
iii.) The clients’ preference for informal sources of funds for borrowing is very high. Hence they should be educated on the available formal sources including the bank account.
iv.) Similarly, savings have to be channelled to formal avenues like post office schemes and bank accounts.
v.) The business correspondent should make special efforts to alter the financial behavior of its older clients as the younger respondents were found to be better in terms of financial behavior than the older clients.
7. References


8. Biography

Author has a teaching experience of 12 years while teaching for management students and corporate experience of 2 years. Presently employed with Andhra Mahila Sabha School of Informatics, Hyderabad as Assistant Professor and pursuing Ph.D. in the area of Financial Literacy.

A Srilakshmi: Financial Behavior Of Business Correspondent Clients - A Case Study