# CONTENTS

ACKNOWLEDGEMENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

Chapter 1 INTRODUCTION

1.1 Finance Function

1.2 Personal Finance Function

1.3 The Concept of Financial Literacy

1.4 Definitions of Financial Literacy

1.5 Components of Financial Literacy

1.5.1 Core Competency

1.5.2 Proficiency

1.5.3 Opportunity

1.6 Attributes Required for Financial Literacy

1.7 Financial Literacy and Financial Wellbeing

1.8 Financial Literacy and Economically Marginalised People

1.9 Relevance of the Study

1.10 Benefits of Financial Literacy

1.10.1 Benefits to Individuals

1.10.2 Benefits to Financial System

1.10.3 Benefits to Economy

1.10.4 Benefits to the community

1.11 Conclusion

Chapter 2 RESEARCH METHODOLOGY

2.0 Introduction

2.1 Statement of the Research Problem

2.2 Significance of the Study

2.3 Rationale of the Study

2.4 Financial Literacy of Economically Marginalised People

2.5 Objectives of the study

Page

xv

xvii

xx

xxii

1-32

1

2

2

3

5

5

8

10

11

12

13

14

17

18

23

24

24

25

33-56

33

33

37

37

38

40
Chapter 3  REVIEW OF LITERATURE  57-109

3.0  Introduction  57
3.1  Pattern of presentation of Literature  58
3.2  International Studies  58
3.3  Studies in African Region  68
3.4  Studies in American Region  71
3.5  Studies in European Region  76
Chapter 4 THEORITICAL FRAMEWORK OF FINANCIAL LITERACY 110-215

4.0 Introduction 110
4.1 Concept of Financial Literacy 110
4.1.1 Salient Features of Financial Literacy 113
4.1.2 Related Concepts of Financial Literacy 114
4.1.3 Objectives of Financial Literacy 118
4.1.4 Importance of Financial Literacy 120
4.2 Financial Behaviour 121
4.2.1 Human Behavior and Financial Decision making 122
4.2.2 Models of Decision Making Behaviour 123
4.2.3 Economic Man Model 123
4.2.4 Administrative Man Model- Bounded Rationality 125
4.2.5 Financial Behaviour and Bounded Rationality 126
4.2.6 Personal Factors Influencing Financial Behaviour 128
4.2.7 Social Factors Influencing Financial Behaviour 129
4.3 The Concept of Marginalisation 132
4.3.1 The Unorganised Sector and Marginalised People 133
4.3.2 The Economics of Poverty: Financial Behaviour of Marginalised People 136
4.3.3 Patterns of Financial Behaviour by Marginalised people 136
4.4 Financial Environment and Economic Growth 137
4.4.1 Financial Environment of the Marginalised People 140
4.4.2 Creation of Pro-Poor Financial Environment 141
4.5 Financial Inclusion 146
4.5.1 Significance of Financial Inclusion 148
4.5.2 Financial Exclusion 149
4.5.3 Financial Literacy and Financial Inclusion 151
4.5.4 Financial Literacy and Economically Marginalised People 153
4.6 Theoretical Base of the Study 155
4.7 Measurement of Financial Literacy 158
4.7.1 Numerical Literacy 160
4.7.2 General Financial Knowledge 161
4.8 Saving Literacy 164
4.8.1 Individual Savings 166
4.8.2 Factors Determining Savings of Households 167
4.8.3 Savings of Marginalised People 171
4.8.4 Saving Skill and Financial Literacy 173
4.9 Spending Literacy 174
4.9.1 Factors Influencing Domestic Spending 175
4.9.2 Nature of Spending Habits 177
4.9.3 NSS Survey on Consumer Expenditure 66th Round-2009-10 178
4.9.4 Importance of Family Budget in Financial Literacy 180
4.9.5 Preparation of Family Budget 181
4.9.6 Preparation of a Personal Balance Sheet 183
4.9.7 Spending Literacy of Marginalised People 183
4.10 Borrowing Literacy 184
4.10.1 Borrowing Behaviour of Marginalised People 185
4.10.2 Sources of Borrowing 188
4.10.3 Access of poor people to formal institutional credit 192
4.11 Investment Literacy 193
4.11.1 Common Investment Avenues 194
4.11.2 Investment Attributes 196
4.11.3 Investment Behaviour of Marginalised People 196
4.12 Measurement of Financial Literacy of Marginalised People 197
4.13 Measurement of Financial literacy in Selected Countries 200
4.14 Decision of the Interview Schedule 203
4.15 A Financial Literacy Checklist for Individuals and families 203
4.16 Conclusion 204

Chapter 5 FINANCIAL LITERACY INITIATIVES 216-258
5.0 Introduction 216
5.1 Initiatives by OECD 217
5.2 Initiatives by World Bank 221
5.3 Initiatives in United Kingdom 222
5.4 Initiatives in the United States of America 223
5.5 Initiatives in Australia 225
5.6 Initiatives in European Union  
5.7 Initiatives in China  
5.8 Initiatives in Singapore  
5.9 Initiatives in Canada  
5.10 Initiatives in African Countries  
5.11 Initiatives in Russia  
5.12 Initiatives in India  
5.12.1 Initiatives by Reserve Bank of India  
5.12.2 Financial Literacy and Credit Counselling Centres  
5.12.3 Initiatives by Commercial banks  
5.13 Initiatives by other agencies  
5.14 Initiatives in Kerala  
5.15 Conclusion  

Chapter 6 BRIEF NOTES ON KERALA STATE, ALAPUZHA AND KOTTAYAM DISTRICTS  
6.1 Introduction  
6.1.1 Kerala Model Development  
6.1.2 India Human Development Report- 2011 and Kerala  
6.1.3 Literacy  
6.1.4 Religion  
6.1.5 Labour  
6.1.6 Banking in Kerala  
6.2 Alapuzha District  
6.2.1 Pro-Poor Initiatives in Alapuzha  
6.2.2 Kudumbashree Projects in Alapuzha  
6.2.3 Alapuzha Munipality  
6.2.4 Mannancheri Gramapanchayat  
6.3 Kottayam District  
6.4 Kottayam Municipality  
6.5 Aimanam Grama Panchayat  
6.6 Conclusion
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.0</td>
<td>Introduction</td>
<td>276</td>
</tr>
<tr>
<td>7.1</td>
<td>Key Demographic Profile of Respondents</td>
<td>277</td>
</tr>
<tr>
<td>7.1.1</td>
<td>Geographical status</td>
<td>277</td>
</tr>
<tr>
<td>7.1.2</td>
<td>Gender</td>
<td>278</td>
</tr>
<tr>
<td>7.1.3</td>
<td>Age</td>
<td>279</td>
</tr>
<tr>
<td>7.1.4</td>
<td>Religious Community</td>
<td>279</td>
</tr>
<tr>
<td>7.1.5</td>
<td>Education</td>
<td>280</td>
</tr>
<tr>
<td>7.1.6</td>
<td>Occupation</td>
<td>281</td>
</tr>
<tr>
<td>7.1.7</td>
<td>Marital Status and Gender of Children of Respondents</td>
<td>282</td>
</tr>
<tr>
<td>7.1.8</td>
<td>Monthly Family Income of Respondents</td>
<td>283</td>
</tr>
<tr>
<td>7.2</td>
<td>Financial Decision Making in the Family of Respondents</td>
<td>284</td>
</tr>
<tr>
<td>7.3</td>
<td>Numerical literacy</td>
<td>285</td>
</tr>
<tr>
<td>7.4</td>
<td>Analysis of General Financial Knowledge</td>
<td>286</td>
</tr>
<tr>
<td>7.4.1</td>
<td>Measurement of overall general financial knowledge</td>
<td>287</td>
</tr>
<tr>
<td>7.4.2</td>
<td>Overall Knowledge of Banking Services</td>
<td>288</td>
</tr>
<tr>
<td>7.4.3</td>
<td>Banking Service Knowledge on the basis of Key Demographic Profile</td>
<td>289</td>
</tr>
<tr>
<td>7.4.4</td>
<td>Knowledge of Banking Service and Location</td>
<td>290</td>
</tr>
<tr>
<td>7.4.5</td>
<td>Knowledge of Banking Services and Education</td>
<td>291</td>
</tr>
<tr>
<td>7.4.6</td>
<td>Knowledge of banking services and Religious Community.</td>
<td>291</td>
</tr>
<tr>
<td>7.4.7</td>
<td>Knowledge of Banking Services and Occupation</td>
<td>292</td>
</tr>
<tr>
<td>7.5</td>
<td>Knowledge of Capital Market</td>
<td>293</td>
</tr>
<tr>
<td>7.5.1</td>
<td>Knowledge of Capital market terms and key demographics</td>
<td>294</td>
</tr>
<tr>
<td>7.5.2</td>
<td>Knowledge of Capital Market Terms and location</td>
<td>294</td>
</tr>
<tr>
<td>7.5.3</td>
<td>Knowledge of Capital Market Terms and Education</td>
<td>295</td>
</tr>
<tr>
<td>7.5.4</td>
<td>Knowledge of Capital Market Terms and Occupation</td>
<td>296</td>
</tr>
<tr>
<td>7.6</td>
<td>Knowledge of Government Sponsored Schemes.</td>
<td>296</td>
</tr>
<tr>
<td>7.6.1</td>
<td>Knowledge of Government Sponsored Welfare Schemes and Location</td>
<td>297</td>
</tr>
<tr>
<td>7.6.2</td>
<td>Knowledge of Government Sponsored Schemes and Education</td>
<td>298</td>
</tr>
<tr>
<td>7.6.3</td>
<td>Knowledge of Government Sponsored Schemes and Religious Community</td>
<td>299</td>
</tr>
<tr>
<td>7.6.4</td>
<td>Knowledge of Government sponsored schemes based on occupation</td>
<td>299</td>
</tr>
<tr>
<td>Section</td>
<td>Topic</td>
<td>Page</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>7.7</td>
<td>Knowledge of Social Security Schemes</td>
<td>300</td>
</tr>
<tr>
<td>7.7.1</td>
<td>Knowledge of Social Security Schemes-Urban-Rural</td>
<td>301</td>
</tr>
<tr>
<td>7.7.2</td>
<td>Knowledge of Social Security Schemes and Education</td>
<td>302</td>
</tr>
<tr>
<td>7.8</td>
<td>Knowledge of Economic Issues</td>
<td>302</td>
</tr>
<tr>
<td>7.8.1</td>
<td>Knowledge of Economic Issues and Location</td>
<td>303</td>
</tr>
<tr>
<td>7.8.2</td>
<td>Knowledge of Economic Issues and Education</td>
<td>304</td>
</tr>
<tr>
<td>7.8.3</td>
<td>Knowledge of Economic Issues and Religious Community</td>
<td>304</td>
</tr>
<tr>
<td>7.8.4</td>
<td>Occupation and Knowledge of Economic Issues</td>
<td>305</td>
</tr>
<tr>
<td>7.9</td>
<td>Association of General Financial Knowledge with Selected Demographic Profiles</td>
<td>305</td>
</tr>
<tr>
<td>7.9.1</td>
<td>Association of General Financial Knowledge with the Gender</td>
<td>305</td>
</tr>
<tr>
<td>7.9.2</td>
<td>Association of general financial knowledge with religious communities</td>
<td>306</td>
</tr>
<tr>
<td>7.10</td>
<td>Saving Literacy</td>
<td>307</td>
</tr>
<tr>
<td>7.10.1</td>
<td>Saving Behaviour</td>
<td>307</td>
</tr>
<tr>
<td>7.10.2</td>
<td>Purposes of Domestic Savings</td>
<td>308</td>
</tr>
<tr>
<td>7.10.3</td>
<td>Source of Fund for Purchasing Household Consumer Durables</td>
<td>310</td>
</tr>
<tr>
<td>7.10.4</td>
<td>Avenues of Savings</td>
<td>311</td>
</tr>
<tr>
<td>7.10.5</td>
<td>Reasons for not having Saving Account in Commercial Banks</td>
<td>312</td>
</tr>
<tr>
<td>7.10.6</td>
<td>Reason for Saving Money in Self Help Group</td>
<td>313</td>
</tr>
<tr>
<td>7.10.7</td>
<td>Comparison of real and ideal savings-Saving gap</td>
<td>313</td>
</tr>
<tr>
<td>7.10.8</td>
<td>Current amount of savings- area wise analysis</td>
<td>315</td>
</tr>
<tr>
<td>7.10.9</td>
<td>Measurement of saving literacy</td>
<td>315</td>
</tr>
<tr>
<td>7.10.10</td>
<td>Association of Saving Literacy levels to location</td>
<td>317</td>
</tr>
<tr>
<td>7.10.11</td>
<td>Saving Literacy levels and Education</td>
<td>318</td>
</tr>
<tr>
<td>7.10.12</td>
<td>Saving Literacy levels and religious community</td>
<td>318</td>
</tr>
<tr>
<td>7.10.13</td>
<td>Saving Literacy Levels and Occupation</td>
<td>319</td>
</tr>
<tr>
<td>7.10.14</td>
<td>Saving Literacy Levels and Gender</td>
<td>320</td>
</tr>
<tr>
<td>7.10.15</td>
<td>Saving literacy levels and gender of children</td>
<td>320</td>
</tr>
<tr>
<td>7.11</td>
<td>Association of Saving Literacy with Selected Demographic Profile</td>
<td>321</td>
</tr>
<tr>
<td>7.11.1</td>
<td>Association of Saving Literacy with Educational background</td>
<td>321</td>
</tr>
</tbody>
</table>
7.11.2 Association of Saving Literacy with Income
7.11.3 Saving Literacy and Financial Decision Making in the Family
7.12 Spending Literacy
7.12.1 Pattern of Spending Behaviour
7.12.2 Use of PDS & other Subsidised Price Shops
7.12.3 Measurement of Spending Literacy
7.12.4 Scale for Measuring Spending Literacy
7.12.5 Spending Literacy Level of Respondents
7.12.6 Location and Spending Literacy
7.12.7 Education and Spending Literacy
7.12.8 Community and Spending Literacy
7.12.9 Occupation and Spending Literacy
7.12.10 Gender of Children and Spending Literacy
7.12.11 Association between Spending Literacy and Religious Community
7.12.12 Association between Spending Literacy and Age
7.12.13 Spending Literacy and Mode of Financial Decision Making in the Family
7.13 Borrowing Literacy/ Debt Literacy
7.13.1 History of Debt
7.13.2 Sources of Borrowing
7.13.3 Purposes of Borrowing
7.13.4 Average Debt
7.13.5 Knowledge of Terms of Loan
7.13.6 Repaying Habit of the Borrowers
7.13.7 Measurement of Borrowing Literacy
7.13.8 Borrowing literacy level of respondents
7.13.9 Borrowing literacy and key demographic profile.
7.13.10 Location and Borrowing Literacy
7.13.11 Education and Borrowing Literacy
7.13.12 Community and Borrowing Literacy
7.13.13 Occupation and Borrowing Literacy