CHAPTER 1
INTRODUCTION

This chapter introduces the concept of financial literacy. The need and importance of financial literacy has also been discussed in detail. Concept of financial education and initiatives around the world for increasing financial literacy of the population has also been discussed in detail. Lastly, the chapter discusses the contribution and organization of this thesis.

1.1 INTRODUCTION

The Organization for Economic Co-operation and Development (OECD) has defined financial literacy as “a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual well being”. Financial literacy is the ability to make informed judgments and to take effective decisions regarding the use and management of money (Noctor et al. 1992). Financially literate individuals make informed decisions about their money and minimize their chances of being misled on financial matters (Beal and Delpachitra, 2003).

Financial literacy helps individuals to improve their level of understanding of financial matters which enables them to process financial information and make informed decisions about personal finance. Financial literacy is directly related to the well being of individuals. Previous research suggests that those with low levels of financial literacy, face problems with issues relating to personal finance such as savings, borrowings, investments, retirement planning etc.

Over the recent years, financial landscape has changed considerably in our country, becoming complex with the introduction of many new financial products. It is difficult for a common man to understand the risk associated with these financial products. In order to understand risk and return associated with these products, a minimum level of financial literacy is a must. Financially literate individuals can make effective use of these financial products and services by evaluating associated
risks and returns and finally choosing those products which are best suited to them. Thus financially literate individuals can make effective use of financial products and services, will not get cheated by sales people selling financial products not suited for them. Financial literacy aids in improving the quality of financial services and contribute to economic growth and development of a country.

The need for financial skills has increased rapidly because financial markets have been deregulated and credit has become easier to obtain as financial institutions compete strongly with each other for market share (Beal and Delpachitra, 2003). Due to easy availability of credit, there has been an increase in spending on consumption and steep rise in debt levels both at personal and household level. If individuals do not fully understand the terms and conditions at which they have borrowed money then there is likelihood that they may enter the debt trap. If they are not aware about the consequences of not paying the borrowed money back on time, then the interest burden keeps on increasing and people find it difficult to service the debt. This leads to financial distress.

Financial literacy not only improves the quality of life for individuals but also improves the quality of financial markets. Financially educated consumers benefit the economy by encouraging genuine competition as well as force the service providers to improve their levels of efficiency. Financially literate consumers are able to sail through tough financial times because of the fact that they might have accumulated savings, purchased insurance and diversified their investments. Financial literacy helps in improving the quality of financial services and contributes to economic growth and development of a country.

India has one of the highest savings rate in the world which shows that Indians are having a high propensity to save. But most of the savings made by Indian households is in the form of bank deposits, thus the allocation of savings is a great cause for concern. Reserve Bank of India in its report has mentioned that only 1.4% of Indian Households savings was invested in equity, mutual funds and debentures in 2003-2004. Another survey (Shukla, 2009) has found that over 80% of Indians save but 36% of the Indian households keep their savings at home. 51% households keep their
savings in bank deposits whereas stock and insurance accounted for only 3% of estimated household savings in 2007-2008, which is very less. Indians by investing their money in low yielding instruments and traditional financial products are not able to take advantage of new age financial products which have the potential to generate higher returns. The main reason behind this is low financial awareness. Thus it is very important that investors should become more financially aware so that our country of savers can get converted into a country of investors.

Financial literacy is also directly correlated with positive financial behaviour such as timely payment of bills and loan instalments, saving before spending and using credit card judiciously. Financially literate individuals understand the importance of personal financial planning. They exhibit favourable attitude towards finance related matters and show positive financial behaviour. Financially literate individuals are able to participate in financial markets, thus helping them to expand and operate efficiently.

Financial literacy of the population is not only important for developing countries but equally important for developed nations as well. In developing countries, financial markets have still not matured and people invest their money mainly in traditional investment avenues. But for financial markets in developing countries to expand and operate efficiently, awareness about financial products is necessary. In developed nations the complexity and number of financial products is increasing, the responsibility for social security has shifted from governments to individuals and the growing importance of retirement planning makes it important that population should be financially literate.

1.2 NEED FOR FINANCIAL LITERACY

Financial literacy is needed for ensuring financial stability of the country. Financial stability refers to the avoidance of financial crises as also to the ability of the financial system to limit, contain, and deal with the emergence of imbalances before they pose a threat to the economic process (Schinasi, 2004). The recent subprime crisis points out to the fact that lack of financial literacy impacts financial stability. The main cause for subprime crisis was the sale of inappropriate mortgage products to
borrowers, who were not able to understand the product characteristics. This highlights the fact that it is very important for individuals to be financially literate so that they are able to take informed decisions regarding their personal finances and are also able to easily navigate the complex financial marketplace.

Financial literacy also plays an important role in financial inclusion and consumer protection. Financial inclusion means access to financial services by the population. It also involves awareness regarding financial issues. In developed countries, financial inclusion is not a matter of concern. But in developing countries like India, the access to formal financial system in itself is lacking leave aside the awareness about financial products and markets. Thus for our country both aspects of financial inclusion i.e. access and awareness is important. There arises a need that more and more people should have access to banking facilities and financial markets as well as they must be made aware about finance related matters. Financial literacy enables individuals to know about risk and return associated with financial products and helps them in taking financially responsible decisions. Thus financial knowledge helps individuals to evaluate risks related with particular financial products. Financially literate individuals do not get caught in a debt trap, do not get misled by sales people selling financial products, are aware about their rights as a consumer of financial products. Thus financial literacy also acts as a tool of consumer protection. Knowledge about the existence of an effective grievance redressal mechanism is essential for gaining the confidence of the unbanked population and overcoming apprehensions they may have about joining, what would appear to them a complex and unfriendly financial market place (Chakrabarty, 2013).

In India there is a change in family structure which is very evident. More and more families are becoming nuclear families. Nuclear family structure brings with it an added responsibility for an individual. An individual has to take a number of decisions which are financial in nature. Individual has to decide how much to spend, save, invest and borrow. In order to take these decisions effectively and efficiently an individual must be financially aware. Increased healthcare and education cost has made it important for people to plan and invest adequately. Thus individuals must appreciate the need for financial planning, systematic investment and positive
financial behaviour. All this can be accomplished only when individual is aware about the financial matters which are of concern to him. Thus there is a greater need for financial literacy of the population as a whole.

Due to improved healthcare in India we are witnessing an increase in the life expectancy of the population. Increased life expectancy means more time spent in retirement. Thus to lead the retired life with dignity, there is a greater need for financial planning, more insurance cover and provision for healthcare related expenses. All this is possible if individuals start taking necessary steps in the direction of their personal financial planning early in their life. But to do so individuals must realise the importance of financial planning and this becomes possible only when they are financially literate.

India as a country is shifting from an era of state sponsored pensions to defined contribution pension plans. Earlier state used to provide pension to government employees after retirement till the time they are alive, but now there is a contributory pension scheme, where employees contribute a definite amount each month and government also contributes a certain amount to build a corpus from which pension is paid at the time of retirement. This indicates that defined contribution pension plans are quickly replacing defined benefit pension plans, thus shifting the onus onto the workers to save for their own financial security after retirement. Thus workers must be able to understand the risk they now face under the new pension era. In order to lead a dignified life after retirement, workers must start investing in pension funds evaluating risk and return associated with them. The workers must be able to estimate the quantum of funds they need at the time of retirement. For all this they must be financially literate.

Opening up of the Indian economy has led to the introduction of many newer financial products and services. These days a plethora of new age financial products are available in the market. In order to understand the features and characteristics of these products an individual must be financially literate. Each of these financial products offer a range of benefits and varying options with respect to interest rates,
exposure to risk, time period of the contract, fees etc. Due to this increased complexity of financial products and services, individuals find it difficult and cumbersome to take financial decisions. If individuals are financially aware and understand risk and return associated with these products, they will be able to improve their financial well being.

1.3 IMPORTANCE OF FINANCIAL LITERACY

It is commonly believed that financial literacy is important only for high net worth individuals but this is not the case. Financial literacy is important for all sections of population who are associated with the financial system. Thus for all users of financial services, financial literacy is important. It is important not only for high net worth individuals but for lower and middle income group people as well as for poor population who has no access to formal financial system and still are financially excluded.

Poor population always face constant financial pressures because of very less income which they earn. Because they are not part of formal financial system, thus in order to meet financial unexpected emergencies they get trapped in financial debt. They do not deposit their money either in banks or post offices. They borrow from moneylenders at very high interest rates. Thus they find it very difficult to get out from the debt trap. For such groups of population, financial literacy efforts should involve educating them about the benefits of being part of formal financial system. They must properly be educated about basic banking activities and functions. Being part of formal financial system will help them in managing their finances in a much better way.

For lower and middle income group people who have access to financial system and they participate in financial markets either in the form of savers or borrowers or both, financial literacy is equally important. For such population financial literacy efforts should aim at enhancing their knowledge about financial markets. This group of population should be made aware about the new age financial products available in the market. They must be informed about the features and characteristics of new age financial products. It has been observed that this segment of population due to lack of knowledge and confidence refrain from investing their money in capital markets and
other new age financial products. Financial literacy in such cases would focus on educating consumers and creating awareness about investing in capital markets and other financial products.

Financial literacy is also important for high net worth individuals. If high net worth individuals are knowledgeable about new and innovative financial products, then they can invest their money in these instruments and can earn higher returns. On the contrary if high income individuals are not aware and knowledgeable about new age financial products, then they will not be able to take advantage of these new and innovative investment avenues. Financial literacy also helps this group of population to avail credit at cheaper rates. The aim of increasing financial literacy for this segment of population should aim at increasing their knowledge about these new age financial products as well as making this group of population more aware and responsible about their financial behaviour. Positive financial behaviour of this segment of population can help in maintaining the stability of financial markets.

It is not only the consumers of financial services for whom financial literacy is important but it is also important for the providers of financial services. For financial services provider, financial literacy involves understanding what consumers want from them and thus creating and offering such products and services which are best suited to them. For financial service providers, financial literacy involves understanding the risk in the products which they offer to their customers. Financial service providers should design financial products in such a manner that they are able to satisfy the needs of customers who have different appetite for risk. Thus we can say that financially literate service providers help in expanding the financial system of the country by not cheating their customers by promising higher returns from their products and charging very high professional fees for the services which they render.

1.4 FINANCIAL EDUCATION

Organization for Economic Co-operation and Development (OECD) has defined financial education as “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks, and through information, instruction and/or objective advice, develop the skills and confidence to
become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well being”. Financial education is not merely making the population aware about financial products, educating them about risk and return characteristics of the products but to make them confident enough about taking their financial decisions regarding savings, borrowings, investment etc. Thus financial education should be able to improve the financial well being of the population.

The importance and role of financial education has considerably increased over recent years due to widespread change in the financial markets. Also over a period of time several demographic, economic, technological and policy changes have taken place. Financial markets are becoming more innovative offering new financial products. Thus people must be knowledgeable enough in order to understand risk and return characteristics associated with these products. For this they must be properly financially educated. Moreover consumers these days have easier access to savings as well as borrowing instruments which are being provided by various institutions. Due to easy availability of credit, there is a likelihood that consumers borrow excess money than what is actually required and then find it difficult to service their debt and finally ending up in debt trap. Also due to improvement in healthcare facilities, overall life expectancy has increased, thus people must plan for their retirement. Also pension system has undergone considerable change in our country. Thus onus of providing pension has shifted from government to individuals. Thus individuals have to assume more responsibility for saving for their retirement. All these developments point out to the fact that all those individuals who are related in one way or another to the financial system should have proper knowledge of finance related matters in order to ensure their financial well being.

1.4.1 Factors Increasing the Importance of Financial Education

1. Low levels of financial literacy:

Measurement of financial literacy through surveys in various countries has demonstrated low levels of financial literacy among populations (Danes and Hira. 1987; Volpe and Chen, 2006; Al-Tamimi and Kalli, 2009). It has been observed that even basic financial understanding among consumers is low; hence they are
vulnerable in matters relating to management of their personal finances. It has been observed that levels of financial literacy are not very encouraging in developed nations not to mention about developing countries. Financial literacy levels are found to be especially low for certain groups of population such as less educated, young, minorities and those earning less income. Thus in order to make these groups who are more financially vulnerable as well as entire population financially capable so that they are able to take well informed financial decisions, financial education is needed.

2. Increase in number and complexity of financial products:
Opening up of the Indian economy after 1991, has led to the development of financial markets. These days consumers are being offered a wide variety of financial products which differ with respect to interest rates, risk characteristics, fees, maturities etc. In order to fully understand pros and cons associated with these products, consumers must have a basic level of financial understanding. Then only they can take maximum advantage of these products as well as safeguard themselves from not investing in those products which are not best suited for them. There are also a number of products which offer credit to consumers for their specific needs such as buying or constructing a house, buying car, for funding the education, for meeting personal expenses. These loan products are offered with varying interest rates and different terms and conditions. An individual not able to fully understand terms and conditions of these products, consequently does not apprehend the consequences which he has to face in case of non repayment. These products are being offered by both government and non-government financial institutions. Often it has been observed that products offered by private institutions carry more rigorous terms and conditions. Moreover terms and conditions are also not very transparent. Although there is a regulatory authority but these institutions are able to easily bypass the regulatory authority. Thus it becomes essential that consumers are fully aware about these products and are able to protect themselves by not choosing those products which can create trouble for them sometimes in future. Thus there lies a need for financial education.

3. Increase in life expectancy of the population:
Increase in life expectancy of the population means that people will spend more years in retirement. This implies that they must take appropriate measures as far as living
with dignity is concerned after retirement. To lead a dignified life after retirement, individuals should have a respectable corpus at the time of retirement. That corpus can only be built if people understand the principles of financial planning and start practising financial discipline from the early stage in their life. Sensitisation towards financial matters requires that consumers are financially literate. Thus they must be properly financially educated from their school days.

4. Shift in pension scenario in our country:
Pension scenario in our country has changed from defined benefit to defined contribution pension scheme. Earlier Government of India for its employees used to provide a guaranteed retirement income known as pension. This implied that those government employees, who were covered under this system, were not worried about their requirements of money once they retire. But now the Government has introduced a contributory pension scheme whereby employees have to contribute a certain amount each month and from this contribution a corpus is utilised for paying monthly pension to the employees. Government of India has launched “New Pension Scheme” whereby any resident Indian can open his/her account. There are different fund managers those who manage “New Pension Scheme” and these fund managers offer variety of schemes with varying risk and return characteristics. In order to understand the characteristics of this scheme, customers should have adequate level of financial awareness, which can only be generated with the help of financial education.

Financial education is important for all sections of population. It is equally important for poor, middle and high income groups. Financial education is also important for financially excluded sections of the society. Being financially literate is so very important for an individual that governments around the world should make provision for imparting financial education as early as school level for the well being of their population.

Financial education is beneficial to consumers of all ages as well as for all income levels. For younger people, who have just started earning it helps them to appreciate the need of personal financial planning. Financial education can teach them tools for savings, investment and budgeting so that they can keep their expenses under control
and can systematically save money. Financial education can also help individuals to realise the need for having an insurance policy, making provision for children’s education etc. It can help middle aged people by making them aware to plan for their retirement by providing them with necessary skills to make investment choices so that they can build a healthy corpus at the time of retirement. Financial education is also important for older people so that they are able to manage their finances in a better fashion which will help them to lead a dignified retired life.

Financial education also benefits consumers of all income categories. For resource poor population who do not have access to formal financial system, it will help to bring them into formal financial system by educating them about banking facilities and other services which can be provided to them. For those people who have money to invest, financial education helps them in increasing their basic financial understanding. It helps them to evaluate risks and returns associated with financial products in a much better fashion. Financial education also helps consumers to understand the charges and fees associated with different financial products clearly thereby minimising the chances of being misled. Financially educated consumers also understand terms and conditions associated with financial products in a better way.

Financially educated consumers helps in the growth of the economy by creating demand for financial products, increasing competition in financial markets and forcing service providers to bring transparency in their operations. Financially educated consumers are able to report any deficiency in providing service by service providers to appropriate authority; thereby they are well equipped to protect themselves from getting cheated at the hands of financial service providers. They can also force service providers to launch innovative and new financial products which are best suited for them. Financially educated consumers do not get cheated at the hands of sales personnel who try and sell those financial products to people in which they earn more commission rather than selling those products which are suited for an individual keeping in mind his risk and return characteristics. Thus financial education helps in channelizing the savings of an individual into productive investment opportunities thereby having positive effects on both investment levels and economic growth.
1.5 INITIATIVES AROUND THE WORLD FOR INCREASING FINANCIAL LITERACY

The need for improving financial knowledge of individuals is felt both in developed and developing countries as level of financial literacy among different groups of population across the world are found to be low (Danes and Hira, 1987; Volpe et al. 2006; Al-Tamimi and Kalli, 2009). Across the world many governments and institutions have taken a lead in imparting financial education to their population. In United States of America, Office of Financial Education was established in 2002 by the US Treasury. The main aim of setting up this office is to promote financial literacy among residents of US so that they can make informed choices in the areas of personal finances such as savings, home ownership, retirement planning, credit management etc. In 2003, US Congress passed Financial Literacy and Education Improvement Act which laid the foundation of the Financial Literacy and Education Commission (FLEC). The main aim of FLEC was to improve the financial literacy and education of persons residing in United States of America by developing a national strategy for the promotion of financial literacy and education. The Federal Reserve’s website for promotion of financial education is named as “FederalReserveEducation.org”. The main aim of this website is to provide education material for the promotion of financial education. The website has material which can be used by general public. It also has useful material which is specially made and designed for teachers and high school and college students. The website also has the resources to generate awareness about better financial management as well as assessment of one’s own financial position.

In Singapore, Monetary Authority of Singapore in collaboration with government agencies launched a nationwide financial education program known as Money SENSE. The main aim and objective of this program is to enhance financial literacy and self reliance of consumers. This program aims at improving the level of financial literacy of the population by covering three tiers of financial literacy i.e. basic money management skills in budgeting and savings and also educating about responsible use of credit (tier I); equipping citizens with the skills and knowledge to plan for their
long term financial needs (tier II); and imparting knowledge about different investment products and skills for investing (tier III).

Financial Services Authority (FSA) in United Kingdom had launched a campaign on massive scale in order to improve the financial skills of the population. The objective of this campaign was to educate consumers about various financial instruments in terms of understanding risk and return characteristics of these instruments.

Australian government in 2002 recognising the need for adequate level of financial literacy for its population established a National Consumer and Financial Literacy Taskforce. This taskforce had recommended setting up the institution of Financial Literacy Foundation in 2005. This Financial Literacy foundation has been able to produce a National Curriculum Framework for Financial literacy. This framework has also provided benchmarks for teaching the school children the importance of managing the money.

Major financial literacy initiatives had also been started in Malaysia. The Financial Sector Master Plan of 2001 which was launched in Malaysia addresses issues in the areas of financial literacy, advisory services, distress management and rehabilitation. For the promotion of financial literacy, the Bank Negara of Malaysia in collaboration with financial industry and other government agencies has introduced Financial Meditation Bureau, Deposit Insurance Scheme, Basic Banking Services Framework and also created a new class of licensed Financial Advisors. A one stop centre to provide information regarding financial services has also been set up within the Central Bank.

Indian government has also realised the importance of providing financial education to its population. For this Financial Stability and Development Council (FSDC) was constituted with Finance Minister as its chairman and heads of all financial sector regulatory authorities as members. The main objective of FSDC is to spread financial literacy as well as financial inclusion. For the promotion of financial literacy, the draft National Strategy for Financial Education (NSFE) for India has been prepared under FSDC. The aim of NSFE is to make consumers aware and educate them on access to
financial services; availability of various financial products and features; changing attitudes into responsible financial behaviour; making consumers of financial services understand their rights and obligations. The strategy aims at providing financial education to different target groups through trained instructors and also to include financial education in school curriculum up to senior secondary level. This strategy also aims at educating 500 million Indian adults about savings, protection and investment related products so that they are able to take well informed financial decisions. NSFE also aims at creating awareness about consumer protection and grievances redressal system in our country. NSFE wants to achieve all the above mentioned objectives by the participation of all stakeholders including NGOs, civil society, government agencies, policy makers, banks, institutions and regulatory authorities.

Reserve Bank of India and other stakeholders are working for the promotion of financial literacy in India by taking following initiatives:

- Top Executives of RBI undertake visits to remote villages of India in order to access the ground level position of the population regarding financial literacy, spread awareness about benefits of being part of formal financial system and disseminate information about the functioning of RBI.

- Various banks for the spread of financial literacy have opened Financial Literacy Centre (FLCs). These centres provide awareness about financial products and offer counselling facilities for customers of banks. As on September 30, 2012 there were 575 FLCs operating in the country.

- A link on financial education is available on RBI’s website. This link contains material in 11 vernacular languages in addition to Hindi and English. The material includes comic books on money and banking for children, films, messaging on financial planning, games on financial education and link for accessing the Banking Ombudsman Scheme.
- Reserve Bank of India has also released a comprehensive financial literacy guide on its website. This guide consists of guidance notes for trainers, operational guidelines for conduct of financial literacy camps and financial literacy material. The guide also contains a financial diary which is to be distributed to the target audience, so as to enable them to keep a record of their income and expenses which can be treated as a first step towards financial planning.

In addition to the efforts taken by various governments around the world for promotion of financial education, various organisations such as OECD, DFID and the World Bank have also come forward for the promotion of financial education programs in different countries. OECD has launched a comprehensive project on financial education in 2003 because of the concerns expressed by member governments on low level of financial literacy of the population in their countries. With the help of this project, OECD was able to carry out first major study on financial education at the international level, titled “Improving Financial Literacy: Analysis of Issues and Policies”. In addition to this number of research papers and methodologies has been published on a range of issues related to financial literacy.

For the design of effective financial education programs, OECD has formulated its first international “Recommendation on Principles and Good Practices for Financial Education and Awareness” in 2005. These principles act as a guiding force for governments, financial institutions, policy makers, and other agencies responsible for the design of financial education programs.

In order to boost international cooperation for the promotion of financial education, OECD provides an international forum in which member nations can exchange information on their efforts in the field of financial education. OECD has held international conferences in various countries such as Indonesia, India, Turkey, US and Russia on financial education and is planning to hold these kinds of events in other countries like Brazil, Lebanon, South Africa, France etc. in near future. These forums provide an excellent opportunity to key financial education stakeholders to share their experiences as well as discuss best practices in the field of financial education with each other. OECD has also established International Network on
Financial Education (INFE), with the aim of bringing together public officials from more than 50 OECD and non-OECD countries so that they can discuss new developments, share their experiences and the programs related to financial education with each other. In 2008 OECD has set up an important new component in its effort to promote financial education i.e. the web portal www.financial-education.org. This portal acts as a platform for the exchange of information on financial education practices around the world.

The U.K. Department for International Development has created the “Financial Education Fund” to improve financial literacy among the world’s poorest people. The main aim of setting up this fund was to provide financial education to those who are financially the most vulnerable. The fund will help to improve the financial literacy of poor consumers and businesses in Africa. This fund will finance the proposal for financial education projects given by governments, the private sector and the NGO sector. Financial education fund also aims to work in collaboration with policy makers, regulators and industry associations to support policy making and efforts related to financial education.

The World Bank has also stepped up its efforts in order to strengthen financial literacy and financial education programs around the world. The World Bank has started to evaluate the impact of financial literacy programs. Assessing the impact of financial literacy programs is essential for the promotion of overall efforts on financial literacy. Assessment will bring out the clear picture regarding the deficiencies if any in financial literacy programs, thus corrective actions can be undertaken. Another area where World Bank is working in the field of financial literacy is to develop the data on financial literacy across the world. Local as well as global surveys are being carried out by the World Bank to assess the level of financial literacy among the population. The World Bank is also working to use technological innovations to provide access of financial services to larger sections of population. World Bank is also working in the field of consumer protection, so that consumers of financial services are well protected against any fraud. It has also come up with a set of good practices for financial consumer protection.
1.6 CONTRIBUTION OF THESIS

This research has made a contribution to the financial literacy literature by assessing the level of financial literacy of salaried individuals. The comprehensive approach of measuring financial literacy has been employed in this study. Financial literacy is measured by combining its three probable dimensions i.e. financial knowledge, financial attitudes and financial behaviour. This study has also identified the characteristics of the population who are likely to be less financially literate. Thus financial education programs can be specifically targeted to these sections of population, thereby increasing the effectiveness of such programs.

This study further contributes by providing evidence of low awareness of respondents towards new age financial products. The results of the study also provides evidence to the fact that level of financial literacy affects awareness as well as investment preferences of individuals towards various financial products. This points out to the fact that there is an urgent need to improve the level of financial literacy of individuals so that they can benefit by investing in new age financial products in which both risk and return are more.

This study has also contributed in a big way to the scant literature available on tax literacy. Tax literacy of salaried individuals has been assessed by using its all probable dimensions i.e. tax knowledge, taxation attitudes and taxation behaviour. Evidence regarding the level of tax literacy as well as determinants of tax literacy has been provided by way of this study. Also the characteristics of the population with low levels of tax literacy have been identified.

1.7 ORGANIZATION OF THESIS

Chapter 1 introduces the concept of financial literacy, importance and need for financial literacy, the concept of financial education and initiatives around the world for increasing financial literacy. Major contributions of this study and the organization of thesis have also been discussed in chapter 1.
Chapter 2 presents the detailed review of literature on financial literacy, financial products and tax literacy. Lastly the gaps found after thoroughly reviewing the literature has been discussed.

Chapter 3 presents the detailed methodology which has been used in this study. This chapter describes the purpose of the study, objectives of the study, research design used in the study and limitations of the study.

Chapter 4 deals with the analysis of data and discussion of results related to financial literacy.

Chapter 5 deals with the analysis of data and discussion of results related to financial products.

Chapter 6 deals with the analysis of data and discussion of results related to tax literacy.

Chapter 7 presents the main findings of the study and discusses the conclusion from the study.

Chapter 8 discusses policy implications arising out of this study and provides directions for future research in this area.