



IS THERE PROXIMAL RELATIONSHIP BETWEEN EDUCATIONAL ATTAINMENT AND FINANCIAL BEHAVIOUR?

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Abstract

Education must enable a man to become more efficient and effective, to achieve with increasing ease, facility and comfort the goals of life. Educational attainment is the highest level of schooling or college that a person has reached to improve knowledge and change behaviour towards economic participation, income, health outcomes, social participation, crime and justice. Therefore, an empirical analysis was made in this paper to see the association between educational attainment and Financial Behaviour of residents of Puducherry through Correspondence Analysis it is found that Educational Attainment does have proximal relationship with Financial Behaviour of residents of Puducherry and in particular it is also found that higher educational attainment has proximal relationship with positive Financial Behaviour; indifferent Financial Behaviour is closer to lowest educational attainment. Such close association between higher educational attainment and positive Financial Behaviour indicate the role played by education obtained through schools and colleges on positive financial dealings and therefore it is suggested strengthen the existing educational system and facilitate to reach all irrespective gender, locale and income so that well being of people are taken care.

INTRODUCTION

Education is a purposeful activity and intended to bring desirable changes in person; its aim is not fixed and static but they are subject to change and dynamic. Earlier years, education focused on developing interpersonal and literacy skills and later on it was directed towards gaining knowledge and skills needed to create value and establish livelihood. Livelihood includes capabilities, assets and activities required for comfortable and ease life. Education for livelihood provides knowledge, skill and abilities intended to have impact on the activities of daily living including personal financial decisions. When knowledge acquired through education practiced repeatedly results in behaviour. Repeated practice of doing things for the betterment of life in finance and financial decision becomes financial behaviour and willingness to learn and belief in doing things related to financial matters in a particular pattern becomes financial attitude. Educational attainment refers to the highest level of schooling or college that a person has reached. In other words, educational attainment is a term used in reference to the highest level of education an individual has received. It does not take educational proficiency, quality or grades into account. It is intriguing to know the influence of years on education or educational attainment on the knowledge and understanding of financial matters and beliefs and actions of individuals.

Education is correlated with many measures of wellbeing like economic participation, income, good health, social participation, crime and justice and also it has effects on belief and actions towards preventive efforts. Information and characteristics of market players influence individual's savings, investment and credit decisions through their psychological insights. These insights can be enhanced or improved through education and experiences. Experiences will be a useful tool in non-financial matter but financial matters depends upon the education and experiences together. Information and ability to make out and use such information is necessary as financial products and services are expanding and new delivery channels increase. Difficulty is compounded due the shift of responsibility for long term wellbeing from employers to individuals. Therefore well informed financially educated consumers will be making better decision for their families, increasing their economic security and wellbeing. These economically developed families to community economic development. This necessity has lead for efforts by educators, government agencies, non-government organizations and policy makers towards providing financial education. Financial education coupled with educational attainment would add value to the financial decisions towards better money management for the greater success. It is presumed that there is a positive relationship between attitude, behaviour and educational attainment. Person with high educational attainment is expected to positive thinking and behaviour towards everything including financial dealings and decision making.

There are studies which establishes the relationship between educational attainment and health behaviour, reading problems and violent behaviour, financial literacy and healthy financial behaviors, low literacy and saving and investment behaviour, ignorance of financial concepts and retirement planning and literacy problems with a range of emotional/behavioural difficulties among children. Though numerous studies have interlinked educational attainment and psychological behaviour of person; it is hard to find a study between educational attainment and financial behaviour of an individual. Therefore this



study is made with an objective of investigating the proximity between educational attainment and financial behaviour of residents of Puducherry which is one of the Union Territories of India.

2. REVIEW OF LITERATURE

There are studies focused on the effect of educational attainment on psychological traits of an individual, some have studied the educational effect on investment behaviour and others have examined the effect of financial literacy on financial behaviour. But it is rare to find a study linking the educational attainment, financial behaviour and financial attitude. Trzesniewski, K.H., Moffitt, T.E., Caspi, A., Taylor, A., & Maughan, B. (2006), studied the association between reading achievement and antisocial behaviour using the Environmental Risk Longitudinal Twin Study and confirmed the robust association between these two. For boys the best explanation was a reciprocal causation model; poor reading led to antisocial behaviour and vice versa. Mash, E.J., & Wolfe, D.A. (2002), found evidence for the role of reading achievement in aggressive behaviour in boys and in depression in girls. Behaviour problems were more strongly associated with reading achievement than with mathematics achievement in a sample of children in early elementary school (Adams, Snowling, Hennessy, & Kind, 1999). Poor readers who were also identified as having behavioral problems in childhood were much more likely to drop out of school and to have unstable work patterns, low job skills, and delinquent behavior in adulthood than children with either behavior problems or poor reading skills in childhood (Maughan, Gray, & Rutter, 1985). Academic skills affect children's behaviour Children who have difficulty in reading may become frustrated or unhappy in school and express their frustration and unhappiness by acting aggressively towards the teacher or classmates. This is based on the basic notion that frustration leads to aggression (Dollard, Doob, Miller, Mowrer, & Sears, 1939).

Investment behaviour is the widely discussed and researched area in India. Geetha and Ramesh (2011) studied the Indian's behaviour about investment preferences and they found that people are not aware about the investment options available to them and they lack knowledge about securities. Samudra and Burghate (2012) studied the investment behaviour of the middle class people from Nagpur. According to them the most popular instrument of investment was Bank Deposit, followed by insurance. PPF and Post office savings deposits are in the third place. It is found that return is the foremost factor which made them to prefer a particular instrument. Chaturvedi and Khare (2012) investigated the investment pattern and awareness of the Indian investors and it was found by them that the age, education, occupation and income level affects investment behaviour. Education, income and occupation affect the awareness towards investment avenues. Sood and Medury (2012) examined the investment preferences in Delhi and results showed that investment preferences are not affected by age, gender, income, marital status and employment status.

Jason West (2012), studied the financial Literacy Education and Behaviour and found the negligible evidence that demonstrates the causal link between education, literacy and behaviour. According to them actions of an individuals who are financially literate does not necessarily mean they will demonstrate good financial behaviour. Christina Clark and Sarah De Zoysa (2011) examined the interrelationship between reading, employment, attitudes, behaviour and attainment through structural equation model and found that reading enjoyment is a powerful source of influence on reading behaviour and in turn to reading attainment. Miles, S.B & Stipek, D. (2006) examined the association between social behaviour and literacy achievement and found that children with poor literacy achievement were associated with aggressive behaviour. Lindy Kimmins and Adrian Stagg (2009) interlinked g academic skills and information literacy behaviours and found the convergence between information literacy skills and academic learning skills. Daniel Fernandes John G. Lynch, Jr. Richard G. Netemeyer (2013) studied the Effect of Financial Literacy and Financial Education on Downstream Financial Behaviors and found through correlation that financial literacy has effect on financial behaviours but they found that the effects of financial literacy diminish dramatically when psychological traits are controlled. It suggested to re-examine the public policy on financial education. Georgios Georgios Panos (2014) interlinked Financial Literacy and Economic Behaviour and found that the Financial literacy is positively related to participation in financial markets and negatively related to the use of informal sources of borrowing and suggested that financial literacy may better equip individuals to deal with macroeconomic shocks.

DATA AND METHODOLOGY

There are two districts in the Union Territory of Puducherry namely Puducherry and Karaikal with population of 12, 47,953 as per 2011 census. Puducherry district comprises of Puducherry region and two outlying administrative units of Mahe and Yanam. Only Puducherry region consisting of Ozhukarai, Puducherry, Bahour, Nettapakkam, Ariankuppam, Mannadipet and Villianur with total population of 9,50,289 is considered in this study. Simple random sampling method was used to collect data and sample size was determined through web calculator provided by www.raosoft.com for the given 5 percent margin of



error, 99 percent confidence level and 50 percent response distribution. Minimum sample size required for the given population of 950289 is 384 but this study is done with 637 sample size. Questionnaire was designed to cover education and major aspects of financial literacy including financial knowledge, financial behavior, financial attitude and financial access to get financial capability. The survey respondents were asked to answer 43 questions including eleven questions on demographic data, eight questions on financial knowledge, eight questions on financial behavior, five questions on financial attitude, five questions on financial access and six questions of their opinions and decisions. This study considers educational attainment like secondary education, higher secondary education, under graduate degree, post graduate degree, Diploma, obtained by people by attending schools and colleges. Residents without any educational attainment labeled as “no education”. Values of 1 for correct response and 0 for all other cases were assigned to the questions asked in different sections like financial behaviour. Individual financial behaviour score is determined by adding all scores under behaviour and attitude category. As a result one individual will have a minimum score of 0 and a maximum of 8. Financial behaviour of an individual is considered to be indifferent when the score is less than 3. If the score is 4 and 5 it is considered as average financial behaviour and score between 6 and 8 as positive financial behaviour.

Simple percentage and Arithmetic mean of educational attainment and financial behaviour are computed. Chi square test and correspondence analysis is used to study the association of educational attainment with financial behaviour.

EMPIRICAL ANALYSIS

1. Distribution of Values in the Sample

Table No -1, Frequency distribution of educational attainment and financial behaviour of residents of Puducherry

	Number of Respondents	Percent
Completed Educational Level		
No Education	92	14.4
SSLC	199	31.2
HSC	91	14.3
Diploma	32	5.0
UG Degree	104	16.3
PG Degree	119	18.7
Level of Financial Behaviour		
Indifferent Financial Behaviour	201	31.6
Average Financial Behaviour	258	40.5
Positive Financial Behaviour	178	27.9
N	637	100

Married male residents who are living in nuclear family from urban areas were the dominating sample and they have on an average 1 to 3 financially dependents. These residents have regular source of income through salaried job and self-employment and from back ward community. More than one third of the residents have higher educational attainment and greater need to manage money effectively and efficiently for their long term financial goals and they are expected to have good and confident financial behavior. Financial behavior refers to actions of an individual in savings, investment, trading and other financial applications. It means being able to understand and negotiate the financial landscape, manage money and financial risks effectively and avoid financial pitfalls. It supports the results of earlier studies that most individuals don't understand the concept of compound interest and many are not actively seeking out financial information before making financial decisions. Much individual lack the ability to choose and manage a credit facilities including credit cards efficiently. Most of employees lack information about saving and investing for retirement. Many fail to plan ahead and they take on financial risks without realizing it. Problems of debts are severe for a large proportion of the population.

It is assessed through this study that good number of respondents has high financial knowledge and only few respondents have poor knowledge but their actions (behavior) towards savings, investments and other financial applications and decisions are in poor and average level; only few have high level of actions. Which means that respondents' willingness to spare their time and resources to use the knowledge for successful financial achievement is very poor and average level; only minor group of respondents have high level of willingness to use their resources for successful financial results. It is worth mentioning that these respondents live in urban areas of Puducherry, with regular stream of income and higher level of



financial commitments. It may be due to unwillingness to get the successful financial dealings or lack of confidence in such dealings and also possibly due to non-availability of needed financial products and services.

2. Simple Summaries About the Sample

Table No- 2, Descriptive statistics of levels of financial behavior and financial attitude of residents of Puducherry

Educational Level	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min	Max
					Lower Bound	Upper Bound		
Financial Behaviour								
No Education	92	4.18	1.683	.175	3.84	4.53	1	8
SSLC	199	4.26	1.848	.131	4.00	4.51	1	8
HSC	91	4.35	1.682	.176	4.00	4.70	1	8
Diploma	32	4.62	1.680	.297	4.02	5.23	1	8
UG Degree	104	4.72	1.938	.190	4.34	5.10	1	8
PG Degree	119	4.58	1.898	.174	4.24	4.92	1	8
Total	637	4.41	1.823	.072	4.27	4.56	1	8

In other analysis it is found that highly educated people tend to have good ability to deal with money matters with comfort and confidence. Residents without education lack ability to deal with their own financial decisions. It is seen from the above table number 2 that the mean value of respondents with post graduate is highest, standard deviation and standard error are lowest. It indicates that the variability is lowest within a single sample and lesser variability between samples and it is more precise of the population. Which indicate that the level of financial behavior is significantly different between the educational attainments. Undergraduate followed by post graduate degree holders show higher mean values than the population mean values. It is observed significantly that the respondents with diploma qualifications seem to have lower variability within the sample and higher variability between samples.

Association and proximal relationship between Educational Attainment and Financial Behaviour:

The significance of association is tested by the Chi-square test, but this test provides no information as to which are the significant individual associations between row-column pairs of the data matrix. Correspondence analysis shows how the variables are related, not just that a relationship exists. Correspondence analysis is appropriate when attempting to determine the proximal relationships among two or more categorical variables.

Table No- 3, Correspondence between individual aspects of level of financial behavior and educational attainment of residents of Puducherry

Financial Behaviour	Educational Attainment						
	No Education	Upto SSLC	HSC	Diploma	UG Degree	PG Degree	Active Margin
Indifferent Financial Behaviour	34	71	24	8	27	37	201
Average Financial Behaviour	44	72	45	14	40	43	258
Positive Financial Behaviour	14	56	22	10	37	39	178
Active Margin	92	199	91	32	104	119	637

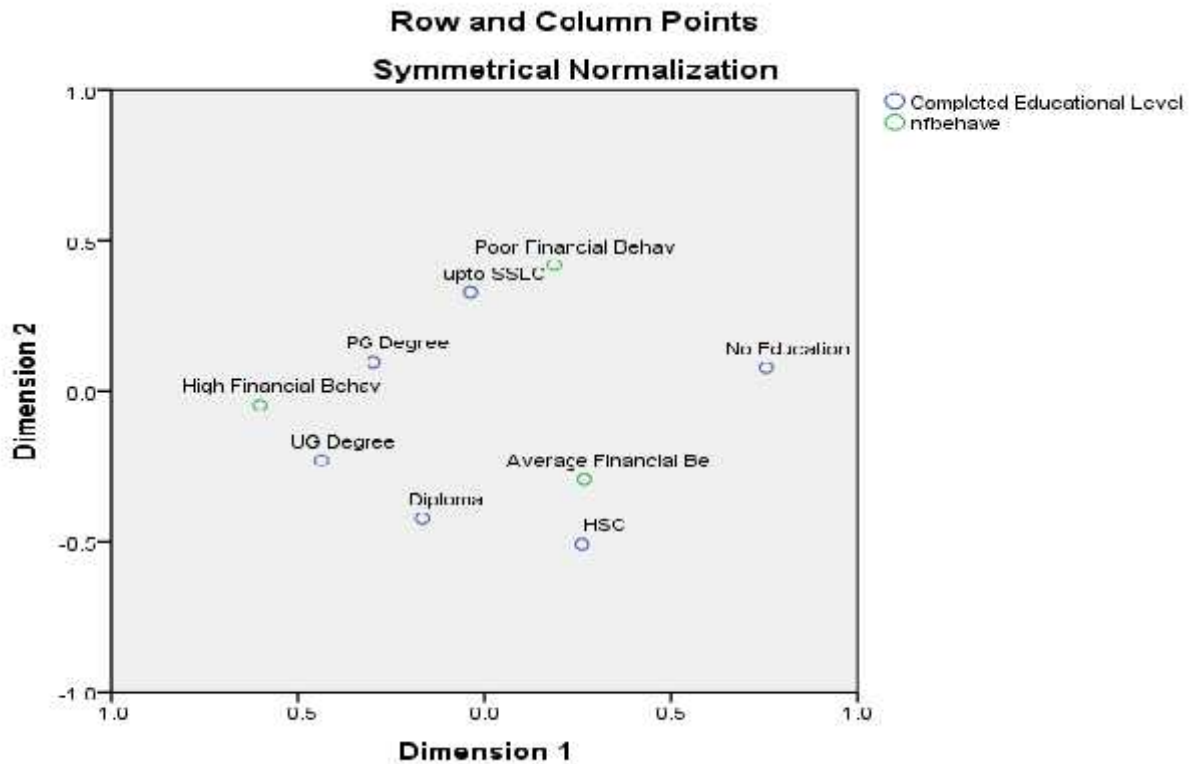
Table No – 4, Correspondence Analysis: Summary details for level of financial behaviour and Completed educational level of respondents of Puducherry

Dimension	Singular Value	Inertia	Chi Square	Sig.	Proportion of Inertia		Confidence Singular Value	
					Accounted for	Cum	Std. Dev	R2
1	.141	.020			.706	.706	.036	.009
2	.091	.008			.294	1.000	.039	
Total		.028	17.942	.056^a	1.000	1.000		

a. 10 degrees of freedom



Figure No – 1, Correspondence Analysis between level financial behaviour and educational attainment: Row and Column Points



It is seen from table 4 that the chi-square value is 17.942 and significance level is 0.056 and it indicate that there is a significant difference between level of financial behavior of residents and their educational attainment. It is support of hypothesis of a difference between level of financial behaviour and educational attainment. Higher educational attainment like UG and PG degree or longer years of education have close relationship with positive financial behavior; average financial behavior is associated with moderate educational attainment or moderate number of years of education; indifferent or poor financial behavior is closely related to SSLC or lower educational attainment. It is worth mentioning that “no education” is not associated to any level of financial behaviour. It may be construed that financial behaviour and “no educational attainment” is not related or associated.

CONCLUSION

It is identified through analysis that higher educational attainment or longer number of years of education has close relation with positive financial behaviour. Moderate educational attainment or medium number of years of education has close relation with average financial behaviour. Low education has close relation with indifferent financial behaviour, Therefore it is concluded that, higher level of educational attainment or longer years of education ensures better financial dealings. It is imperative that in order to increase financial well-being of people it is necessary to help people to get higher educational attainment. Once they are financially included and equipped through education, economy will have benefit of having inclusive growth.

Any effort to increase the educational attainment would increase the capability of an individual and boosts psychological confidence to take financial decisions for his or her successful wellbeing. In recent past government is introducing schemes to include many financially in order to ensure the inclusive growth. This study toss the idea that provide education to many to be financially included; also more concerted policy decisions are required to strengthen the educational system towards behavioural changes including the financial dealings.



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