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Harnessing Financial Literacy For Financial Wellbeing- A Study Of Jalpaiguri Municipality Area, West Bengal

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Abstract: Financial well-being is an important part of our overall personal well-being. Being financially well means we can meet our current and ongoing financial obligations, feel secure in our financial future, and are able to make choices that allow us to enjoy life— in other words, financial freedom. Many elderly individuals lack even basic financial understanding, impacting their daily money management and long-term savings. Surveys conducted in India have highlighted this lack of awareness among its people regarding financial matters. The mixed methodologies have been used to identify the financial well-being related issues. This paper reveals that the notable disparities in financial literacy based on factors such as gender, age, education, employment status, and income level. Finally, the paper has highlighted the significance of promoting financial literacy initiatives specifically designed for vulnerable populations to equip them with the knowledge and skills required to make informed financial decisions and secure their financial futures with some excessive recommendations for better understand the workings of insurance, and being more comfortable using basic financial instruments. In a nutshell, financial literacy improves financial wellbeing.

Keywords: Financial literacy, Financial knowledge, Financial behavior, Financial attitude, Financial wellbeing.

I. INTRODUCTION

In former times having basic literacy skills was considered crucial for the general population. Illiteracy was viewed as a significant social issue, especially prevalent in developing countries worldwide, leading to various challenges. However, in recent times, there has been a growing concern regarding financial literacy. A widespread lack of financial knowledge has been acknowledged globally, with developing countries like India facing this issue more prominently. Many individuals lack even basic financial understanding, impacting their daily money management and long-term savings. Surveys conducted in India have highlighted this lack of awareness among its people regarding financial matters.

In a diverse country like India, with its varied social and economic backgrounds, financial literacy is especially important, particularly for those with limited resources. Individuals with low incomes are particularly vulnerable due to ongoing financial pressures. Financial literacy can be a powerful tool for empowering this demographic by providing access to crucial information and resources to improve their financial situation. This, in turn, can help them better integrate into the formal financial system. For those in the middle and lower-middle income brackets, efforts to enhance financial literacy can significantly improve their understanding of the market. This understanding enables them to navigate the wide range of financial products and services available, making informed decisions about their benefits and risks.

In India, addressing the financial literacy needs of the elderly is crucial due to unique challenges faced by this demographic as they age. Elderly individuals encounter a range of financial complexities including managing retirement savings, navigating intricate financial products, and planning for healthcare costs. Many seniors in India lack exposure to formal financial systems, making them susceptible to financial exploitation or fraud. Additionally, with longer life expectancy, retirees must stretch their financial resources to maintain their quality of life. Therefore, promoting financial literacy among the elderly is essential to equip them with the knowledge and skills needed for informed decision-making about budgeting, investing, and asset protection. Tailored financial education programs designed for older adults can significantly enhance their financial resilience and ensure their financial security in later life.

Financial literacy is key to improving the financial well-being of elderly populations. With adequate financial knowledge, seniors can make informed financial decisions, ensuring greater stability and security as they age. Understanding budgeting, saving, investing, and debt management empowers seniors to plan for retirement and navigate financial challenges confidently. Financial literacy also helps elderly individuals identify income-generating opportunities and preserve assets, thus minimizing financial risks. Moreover, financial literacy enables older adults to protect themselves against exploitation and fraud, preserving their financial independence. By promoting financial literacy among the elderly, societies can enhance their quality of life and provide greater peace of mind during their golden years.

Fundamental skills like reading, writing, and basic arithmetic operations encompass what is known as "alphabetical literacy." According to the Organization for Economic Cooperation and Development (OECD), literacy refers to the ability to understand and use printed information effectively in daily activities at home, work, and in the community to achieve personal goals and expand knowledge and potential. In contrast, "financial literacy" specifically relates to possessing knowledge and understanding of financial matters. The OECD International Network on Financial Education (OECD/INFE) defines financial literacy as a combination of awareness, knowledge, skills, attitudes, and behaviors necessary for making informed financial decisions and ultimately achieving personal financial well-being.

Financial literacy comprises several key elements:

- Financial Knowledge
- Financial Attitudes
- Financial Behavior

In 2015, the Consumer Financial Protection Bureau (CFPB) introduced a financial well-being scale that emphasizes critical areas such as:

- Maintaining control over day-to-day and month-to-month finances.
- Having the ability to withstand a financial setback.
- Making progress toward achieving financial objectives.
- Enjoying financial freedom to make life-enhancing choices.

The study titled "Harnessing Financial Literacy for Elderly Financial Wellbeing" - A Study of Jalpaiguri Municipality Area" holds substantial importance in addressing the financial challenges faced by the aging population in Jalpaiguri Municipality. As individuals grow older, they encounter various financial obstacles, including managing retirement savings, healthcare costs, and navigating complex financial products. By focusing specifically on the elderly in Jalpaiguri Municipality, this study aims to highlight their distinct financial needs and vulnerabilities. Through an examination of the effectiveness of tailored financial literacy programs for this demographic, the study seeks to identify strategies to equip elderly individuals with the knowledge and skills required to make informed financial decisions. The outcomes of this research could have wide-ranging implications, not only for enhancing the financial well-being of elderly residents in Jalpaiguri Municipality but also for informing policy interventions and financial literacy initiatives aimed at aging populations in similar contexts. Ultimately, this study has the potential to significantly contribute to improving the quality of life and financial security of the elderly, ensuring a dignified and prosperous "golden years" for this vulnerable segment of society.

II. LITERATURE REVIEW

Financial literacy surveys are quite common across the globe. International organizations have also undertaken country-wise surveys with a standard methodology having been followed by them with the help of questionnaire. Organization for Economic Cooperation and Development (OECD), headquartered in Paris (France), is a glaring example of such types of organizations which has conducted such survey.

Bajo, Barbi and Sandri (2015) have studied the impact of socio-demographic features of Italian households on their financial literacy level and investment experience. They have also looked into the impact of financial literacy on household risk aversion. Both financial awareness and trading experience are found to be affected by socio-demographic attributes and increase with age, income, wealth, economic education and professional financial expertise. Level of financial literacy is found to be higher in case of respondents with past professional expertise in finance-related matters. Financial literacy has a significant negative correlation with risk aversion of households. Risk aversion or exercising caution in making investment decisions tends to be more predominant among respondents with lower levels of financial literacy. Risk tolerance is found to be significantly explained by wealth (but not income) and financial strength. It is also found to be positively associated with age and nationality (being higher when the investors are other than Italians). Financial experience is found to be negatively associated with risk aversion. Past trading experience, schooling and professional financial background are found to be very effective in reducing investor's risk aversion.

Nash (2012) could find the level of financial literacy in India to be on the positive side. However, the negative side as reported in the study is that nearly 98 percent of Indians do not still possess a Demat Account. It is further reported that 48 percent of the population cannot think of savings or life insurance as they have to make their basic living out of their daily earnings.

Mathivathani and Velumani (2014) conducted a study on financial literacy among rural women in Tamil Nadu and found that the barriers to acquire financial literacy for women are some social and cultural barriers, physical barriers, educational barriers and financial barriers. Their findings indicate that financial literacy of marginalized rural women is abysmally low. They suggest that rural women need to know about existing financial services available in their region by attending workshops.

Bijle (2012) investigated the money management practices of women SHGs members, in Grameen Koota of Karnataka. He found that the women had limited control over money management within their households, whereas men were wellversed about financial management but unwilling to discuss with their wives. The findings also show that the SHGs members had very poor or negligible knowledge about the management of savings and credit card. The study results state that the quality of SHGs can be improved only, if attention is shifted from merely increasing their number to enriching financial literacy.

Mitchell and Lusardi (2011) in their study on 'Financial Literacy around the World' found that most people are more knowledgeable about inflation question, if their country has experienced inflation recently and he also found that most people are more knowledgeable about risk diversification, if the country has experience of privatization.

III. RESEARCH GAP

Research on financial literacy has been a significant focus for scholars worldwide, aiming to assess individuals' readiness to make well-informed financial decisions both presently and in the future. Studies universally acknowledge the immense importance of financial literacy in today's increasingly complex financial landscape. They also highlight the challenges individuals face due to information disparities between financial markets and the general public, hindering their ability to make informed choices. Moreover, empirical investigations into the effects of financial literacy often yield mixed results when considering demographic and socio-economic factors. Additionally, limited studies examining the relationship between financial literacy and investment decision-making in India reveal shortcomings in methodology, particularly in addressing qualitative variables such as risk propensity. While numerous studies have explored household decision-making globally and in India, research specific to West Bengal is

scarce. Existing studies in West Bengal primarily focus on the status and determinants of financial literacy, necessitating further investigation into the state's financial literacy levels and their impact on financial wellbeing of elderly.

IV. OBJECTIVES

The overall objective of the study are

- To assess the status of financial literacy among elderly in the Jalpaiguri Municipality area
- To examine the relationship between financial literacy and financial wellbeing of elderly of this area.
- To examine the demographic and socio-economic factors like gender, age band, education level, work situation and income band which would possibly influence the level of financial literacy.

V. Methodology

The study employs a mixed-methods approach, combining quantitative surveys, qualitative interviews, and focus group discussions, to comprehensively explore the current state of financial literacy among the elderly population in the region. This study examined the association between financial literacy and financial wellbeing, while taking their age, gender, education and health into consideration. In this attempt 6 respondents from 25 wards, total 150 respondents from Jalpaiguri Municipality area have been interviewed with the help of OECD questionnaire (2022) for measuring financial literacy scoring 1 to 21 and CFPW scale (2017) for measuring financial wellbeing scoring 1 to 40.

Dependent variable: financial literacy- financial knowledge, financial behavior, financial attitude, financial wellbeing.

Independent variable:

Age, Gender, Educational level, Work situation and Income level.

VI. ANALYSIS AND INTERPRETATION

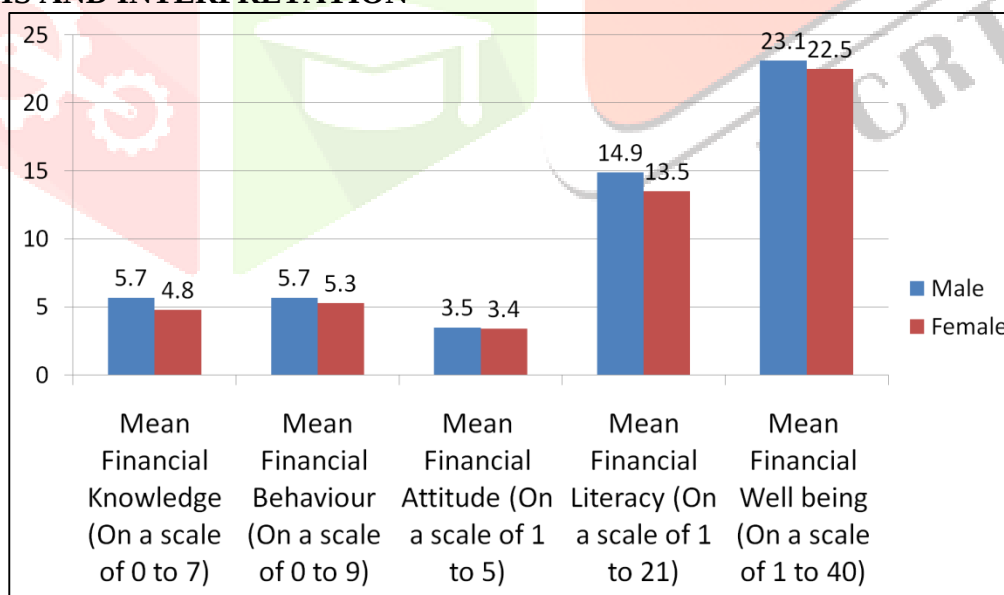


Figure 1: Component wise Financial Literacy According to Gender

Source: Primary data collected by author

It is found from the above figure that male respondents score more than female respondents with respect to all three components of financial literacy, i.e., financial knowledge, financial behaviour and financial attitude. The gender-wise difference in score is particularly evident in case of financial knowledge where male respondents score much higher at 5.7 compared to a score of 4.8 of female respondents. Financial behaviour score is moderately higher for male respondents at 5.7 compared to the score of 5.3 of female respondents. In case of financial attitude there is a small gender-wise difference in score with male respondents scoring 3.5 in comparison slightly higher than the score of 3.4 of female respondents.

TABLE 1: Component wise Financial Literacy According to Age band

Age in years	Mean Financial Knowledge (On a scale of 0 to 7)	Mean Financial Behaviour (On a scale of 0 to 9)	Mean Financial Attitude (On a scale of 1 to 5)	Mean Financial Literacy (On a scale of 1 to 21)	Mean Financial Well being (On a scale of 1 to 40)
60 to 69	6.1	5.7	3.8	15.6	25.6
70 to 79	4.8	5.2	3.4	13.4	23.8
80+	3.4	2.8	2.8	9.0	17.2

Source: Primary data collected by author

From the above bar diagram it may be observed that for sample respondents the score of two components of financial literacy, i.e., financial knowledge and financial behaviour decrease gradually from the age band of 60 to 69 years to the age band of 70 to 79 years, and to the age band of above 80 years. However, thereafter the component-wise score of financial literacy does not follow any definite pattern from one age band to another for the selected sample respondents.

TABLE 2: Component wise Financial Literacy According to Education Level

Educational Level:	Mean Financial Knowledge (On a scale of 0 to 7)	Mean Financial Behaviour (On a scale of 0 to 9)	Mean Financial Attitude (On a scale of 1 to 5)	Mean Financial Literacy (On a scale of 1 to 21)	Mean Financial Well being (On a scale of 1 to 40)
Primary level	4	4.2	3.5	11.7	21.8
Secondary level	4.8	4.6	3.5	12.9	22.8
Graduate,	5.06	5.7	3.05	13.8	24.7
Post-Graduate,	6	6.5	3.4	15.9	26.9
Graduate / Post Graduate with professional qualification, ,	6.4	7	3.6	17.0	28.5
Technical / Vocational education beyond secondary level,	5.3	5.5	3.5	14.3	24.2
No formal education,	1.6	2	3	6.6	16.1

Source: Primary data collected by author

Two of the components of financial literacy, i.e., financial knowledge and financial behaviour are found to increase progressively with increase in education level of respondents from the lowest level of no formal education gradually to the highest level of education with professional qualification as reflected in the table above. The third component of financial literacy, i.e., financial attitude is not found to follow any such definite trend. But, it is found to be higher for respondents at all other levels of education in comparison to that with no formal education.

TABLE 3: Component wise Financial Literacy According to Work Situation

Work Situation:	Mean Financial Knowledge (On a scale of 0 to 7)	Mean Financial Behaviour (On a scale of 0 to 9)	Mean Financial Attitude (On a scale of 1 to 5)	Mean Financial Literacy (On a scale of 1 to 21)	Mean Financial Well being (On a scale of 1 to 40)
Self or paid employed	5.5	6.1	3.4	15	26.2
Unemployed	4.9	5.5	3.7	14.1	24.1
Looking after home	5.1	5.8	3.6	14.5	24.6

Source: Primary data collected by author

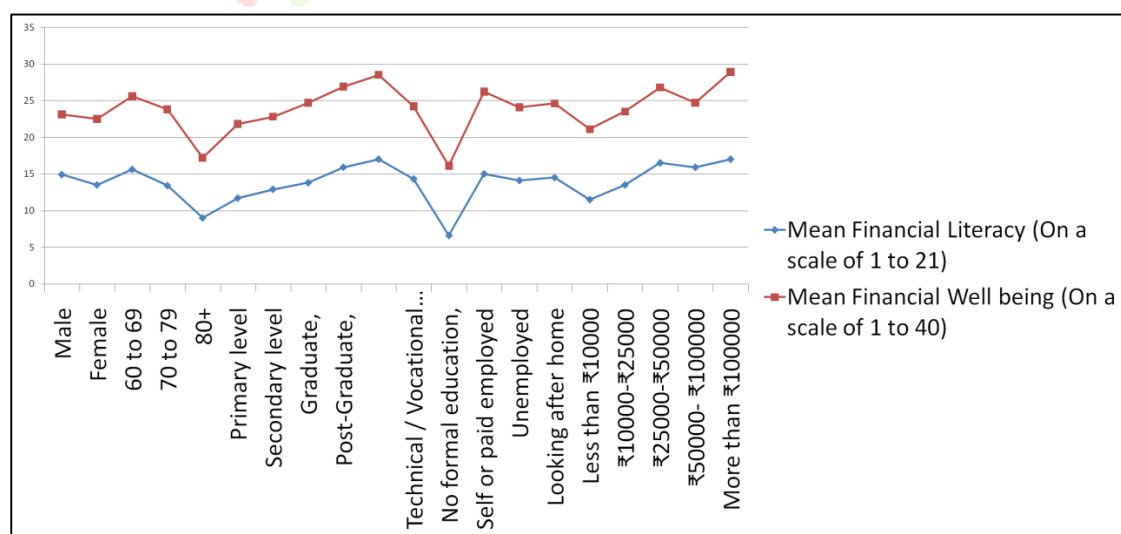
It is further found from the table above that the financial knowledge score and financial behaviour score of unemployed respondents are lower than respondents who are in self or paid employment. However, the financial attitude score of unemployed respondents is higher than respondents who are in self or paid employment probably because unemployed respondents are more conservative in their attitude and manage their finance conservatively. Respondents who are looking after home have higher financial literacy score than the unemployed respondents.

TABLE 4: Component wise Financial Literacy According to Monthly Income Level

Income band :	Mean Financial Knowledge (On a scale of 0 to 7)	Mean Financial Behaviour (On a scale of 0 to 9)	Mean Financial Attitude (On a scale of 1 to 5)	Mean Financial Literacy (On a scale of 1 to 21)	Mean Financial Well being (On a scale of 1 to 40)
Less than ₹10000	4.1	3.9	3.5	11.5	21.1
₹10000-₹25000	5	5.1	3.4	13.5	23.5
₹25000-₹50000	6.2	6.7	3.6	16.5	26.8
₹50000- ₹100000	6	6.5	3.4	15.9	24.7
More than ₹100000	6.4	7.2	3.4	17.0	28.9

Source: Primary data collected by author

Two of the components of financial literacy, i.e., financial knowledge and financial behaviour are found to increase progressively with increase in monthly income of respondents, from the lowest level of less than ₹10000 gradually to the highest level of more than ₹100000 as reflected in the above table. The third component of financial literacy, i.e., financial attitude, is not found to follow any such definite trend.

**Figure 2: Relation between Financial Literacy and Financial Wellbeing**

Source: Primary data collected by author

It has been analyzed that there is a positive correlation (0.72) between financial literacy and financial well being. $\chi^2 = 71.7$ (with 4 df) Result = Sig (.01)

Further the Chi square between the two variables was found to be statistically significant at 1% level of significance.

Case Study 1:

- **Name:** Reba Dhar
- **Age:** 68
- **Occupation:** Retired Teacher
- **Financial Literacy Score:** 17
- **Financial Well-being Score:** 25
- **Key Characteristics:** Reba Dhar is a retired teacher who, despite her age, possesses a reasonable level of financial literacy with a score of 17. She is capable of managing her banking affairs independently and is aware of various investment schemes. Reba has diligently saved for her future during her employment years, indicating a proactive approach towards financial planning.

Financial Literacy and Well-being Assessment: Reba Dhar, a 68-year-old retired teacher, has spent her career imparting knowledge and guiding young minds. Transitioning into retirement, she finds herself in a phase where financial stability and well-being are paramount. Despite her retirement, Reba's financial literacy score stands at 17, showcasing her understanding of financial concepts. Reba's financial well-being score of 25 suggests a moderate level of financial security. While she has savings for the future, there's potential for enhancing her overall financial well-being. Factors contributing to her score include her capability to handle banking tasks independently and her awareness of investment options.

Case Study 2:

- **Name:** Rudra Sen
- **Age:** 75
- **Occupation:** Unemployed
- **Financial Literacy Score:** 12
- **Financial Well-being Score:** 19
- **Key Characteristics:** Rudra Sen, aged 75, faces challenges in managing his financial affairs due to a low financial literacy score of 12 and difficulty adapting to digitalization. Unemployed and potentially isolated, Rudra requires support to enhance his financial independence and overall well-being.

Financial Literacy and Well-being Assessment: Rudra Sen, finds himself navigating financial uncertainties amidst unemployment and limited digital literacy. With a financial literacy score of 12, Rudra's understanding of financial concepts is minimal, further compounded by his reluctance to embrace digital tools for financial transactions. As a result, Rudra faces significant barriers in conducting financial activities independently, impacting his overall financial well-being.

Rudra's financial well-being score of 19 reflects a concerning level of financial vulnerability. His inability to adapt to digitalization hampers his access to financial services, potentially leading to financial exclusion and dependency. Addressing Rudra's financial challenges requires a holistic approach encompassing education, support, and tailored solutions.

Case Study 3:

- **Name:** Ratna Mallik
- **Age:** 65
- **Occupation:** Housewife
- **Financial Literacy Score:** 17
- **Financial Well-being Score:** 26
- **Key Characteristics:** Ratna Mallik, a 65-year-old housewife, demonstrates a high level of financial literacy despite not having formal employment experience. Her active involvement in managing household finances contributes to her financial well-being, with a score of 26, reflecting her prudent financial management skills.

Financial Literacy and Well-being Assessment: Ratna Mallik, a dedicated homemaker, has devoted her life to nurturing her family and managing household affairs. Despite not engaging in formal employment, Ratna actively oversees financial activities within the household, demonstrating a keen understanding of financial matters. Her high financial literacy score of 17 underscores her proficiency in managing finances, despite lacking traditional employment experience. Ratna's financial well-being score of 26 signifies a commendable level of financial stability and security. Her active involvement in household financial management, coupled with her high financial literacy, positions her well to navigate financial challenges and make informed decisions for her family's welfare.

VII.FINDINGS AND DATA ANALYSIS**Gender Disparities in Financial Literacy and Well-being:**

- Male respondents exhibit higher scores across all components of financial literacy compared to female respondents.
- Specifically, male respondents score significantly higher in financial knowledge, followed by financial behavior and financial attitude, albeit with a smaller margin.

Age and Financial Literacy:

- Financial knowledge and financial behavior decline gradually with increasing age, particularly evident from the age band of 60 to 69 years to the age band of 70 to 79 years, and further to the age band of above 80 years.
- However, there's no clear pattern observed in financial attitude across different age bands.

Education Level and Financial Literacy:

- Financial knowledge and financial behavior show a progressive increase with higher levels of education.
- Respondents with no formal education exhibit substantially lower financial literacy scores across all components compared to those with higher educational qualifications.

Work Situation and Financial Literacy:

- Self or paid employed respondents demonstrate higher financial literacy scores compared to unemployed respondents.
- However, unemployed respondents exhibit a higher financial attitude score, possibly indicating a conservative approach to financial management.

Monthly Income Level and Financial Literacy:

- Financial knowledge and financial behavior increase progressively with higher monthly income levels.
- There's no clear trend observed in financial attitude concerning income levels.

Correlation between Financial Literacy and Well-being:

- A positive correlation (0.72) is identified between financial literacy and financial well-being.
- The Chi-square analysis further confirms the statistically significant relationship between the two variables at the 1% level of significance.

VIII. FINDINGS FROM CASE STUDIES

1. Reba Dhar:

- Despite Reba's moderate financial literacy and well-being scores, there's potential for further improvement, especially in optimizing investment strategies and long-term financial planning.

2. Rudra Sen:

- Rudra's low financial literacy and well-being scores highlight the need for targeted interventions to enhance his financial knowledge and adaptability to digital tools, ensuring greater financial independence and security in retirement.

3. Ratna Mallik:

- Ratna's high financial literacy and well-being scores underscore her proficiency in managing household finances. However, ongoing education and support can further empower her to navigate financial challenges effectively and secure her family's future.

IX. CONCLUSION

In conclusion, this study aimed to assess the level of financial literacy among the elderly residing in the Jalpaiguri Municipality area and explore its relationship with their financial well-being. Through a mixed-methods approach integrating quantitative surveys, qualitative interviews, and focus group discussions, the research provided comprehensive insights into this topic. The results revealed notable disparities in financial literacy based on factors such as gender, age, education, employment status, and income level. Generally, male respondents exhibited higher financial literacy scores compared to female respondents, and financial knowledge and behavior tended to decline with advancing age. However, there was a positive correlation between financial literacy and educational attainment, indicating that individuals with higher education levels displayed greater financial literacy. Additionally, employed individuals and those with higher incomes tended to exhibit higher levels of financial literacy.

Crucially, the study identified a strong positive link between financial literacy and financial well-being, underscoring the pivotal role of financial education in enhancing overall economic security and stability. The case studies further emphasized the necessity of targeted interventions aimed at improving financial literacy and well-being among elderly individuals, tailored to their unique needs and circumstances. Overall, these findings highlight the significance of promoting financial literacy initiatives specifically designed for vulnerable populations to equip them with the knowledge and skills required to make informed financial decisions and secure their financial futures.

X. Recommendations

- In this area should provide targeted support and resources for adults with lower levels of education, including adult education programs, vocational training, and skill-building initiatives to enhance financial literacy and economic empowerment.
- It should develop gender-specific financial education programs in Jalpaiguri Municipality area aimed at empowering women with essential financial knowledge and skills, focusing on areas where they exhibit lower scores compared to men.
- It should foster intergenerational learning and peer support networks to facilitate knowledge sharing and skill development among older adults, promoting financial resilience and well-being across different age groups.
- Integrating financial literacy into broader well-being initiatives and public health programs to address the interconnectedness between financial health and overall quality of life.

- It should foster collaboration between financial institutions, healthcare providers, and social service agencies to provide holistic support services addressing both financial and non-financial determinants of well-being.

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