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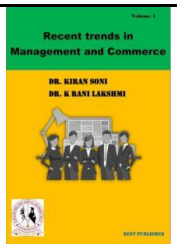

Evaluation of Financial Literacy using SPSS analysis

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Abstract

Understanding and using a variety of financial skills, such as investing, budgeting, and personal financial management, are all parts of financial literacy. Financial literacy is the cornerstone of your relationship with money and the start of a lifelong learning process. In today's demanding financial world, consumers must make challenging financial decisions at a young age, and early financial mistakes can be costly. Young people frequently have a significant credit card or student loan debt, and these early issues might impede their capacity to amass wealth. Researchers must assess how financially knowledgeable young people are to assist younger consumers. Policymakers can create effective interventions for young people by having a better understanding of the elements that support or hinder financial literacy. Financial literacy is a set of skills and knowledge that enables a person to use all of their financial resources to make effective decisions. Government-run personal financial projects are becoming more popular in countries like Australia, Canada, Japan, the United States, and the United Kingdom. Those who grasp the fundamentals of finance can successfully navigate the financial system. Financial decision-making is improved for those who have gotten the appropriate financial literacy training. SPSS statistics is data management. Alternative: C1, C2, C3, C4, C5, C6. Evaluation parameters of Area of manufacturing: A1, A2, A3, A4, A5, A6. The Cronbach's Alpha Reliability result. The overall Cronbach's Alpha value for the model is .850 which indicates 85% reliability. From the literature review, the above 86% Cronbach Alpha value model can be considered for analysis.

Keywords: Financial literacy, Measuring financial literacy, SPSS.

Introduction

Due to a combination of decreased birth rates and an increase in life expectancy, social security and employer-sponsored pension systems around the world are under strain. As a result, many nations have changed their traditional defined benefit (DB) pensions into individual-account defined contribution (DC) plans. Due to the fact that many financial decisions relating to retirement have been transferred from institutions like corporations and governments to individuals, this change places additional responsibility on people to save, invest, and spend money wisely throughout their lifetimes. This transformation was, in some ways, a positive one. For instance, since the labor force is mobile, pensions must be portable, and since DC plans are more adaptable than traditional DB plans, labor mobility is discouraged. DC flexibility, however, raises the danger that people would not act morally: they might save less, fail to make good investments, and run out of money in old age due to longevity risk. Because of this, the new financial age puts more of a demand on workers and their families to learn how to evaluate economic data and make financially literate decisions regarding household finances. Retirement and children's education should both be planned for with long-term investments. They must also make decisions regarding short-term investments, loans for big-ticket items like cars, homes, and vacations. They also have to take care of their health and life insurance requirements. To explain this paradox, early proponents of what is now known as the financial literacy movement proposed a theory. Financial products have proliferated in the nation over the past 20 years as a result of deregulation in the financial services sector, many of which are cutting-edge and complicated. Banks were able to offer loans (and credit cards) to a larger spectrum of customers as a result of the virtual absence of interest rate controls (on both deposits and consumer credit). Based on predicted lifetime resources and preference parameters, a typical model of intertemporal choice proposes that people decide how much to spend and save in each period to maximize the expected utility. The model assumes that people are fully aware, rational, and capable of accurately projecting future income and interest rates. Numerous studies offer convincing evidence that most adults lack fundamental financial literacy and are unaware of ideas like risk diversification, inflation, and compound interest. There is also strong evidence that decisions about investments and savings are influenced by financial literacy. Find that more wealth, a higher likelihood of investing in the stock market, and a higher willingness to plan for retirement are all related to financial sophistication. According to papers in the same field, the correctness of answers to basic math problems is a good indicator of total wealth, financial wealth, stocks, and the percentage of wealth held in stocks. The development of improved personal finances that contribute to more effective resource allocation and stronger financial stability at the micro and macro levels depends heavily on people's capacity to make educated financial decisions. Efforts to raise savings rates and extend credit to consumers who are poorer and more vulnerable can benefit from improvements in financial literacy. The availability of new financial services and products has increased the number of "small investors" who can access the global financial markets. Consumer credit and mortgage lending soared as the present financial crisis got underway. People with subprime mortgages or credit cards were forced to make a decision on how much

money to borrow, which was historically unusual. Workers and retirees are being given more and more pressure to save, invest, and build wealth as the retirement landscape evolves. In contrast, the baby boomers of today decide how much money to save and where to put it into defined contribution (DC) plans and individual retirement accounts during their working years (IRAs). Boomers must also assume responsibility for prudently building up their assets in retirement while still taking care of their requirements and not underestimating them. Early to mid-20th century trading volumes were often low, and making financial judgments was straightforward. The volume and diversity of global trade progressively rose with the start of the Industrial Revolution and the growth in the quantity and variety of goods. Later, communication networks emerged, which facilitated easier sales and raised prices. In the past few decades, such circumstances have prompted sophisticated and challenging financial judgments about fund administration. Over the past ten years, there has been less stability in the world economy, and there have been more recessions, which have led to inflation, unemployment, and decreasing earnings for communities. Numerous research has looked into two key factors that influence the quality of life: financial well-being and financial problems. Economic recessions put people's financial security in jeopardy and raise issues including health, debt, income, and professional advancement. These issues hurt both physical and mental health, lower job confidence and productivity, and increase absenteeism, tardiness, inattentiveness, and conservatism.

Material and Method

Financial literacy: "Financial literacy is the collection of knowledge, abilities, and values that members of today's society require to safeguard their financial security and that of their families. They are involved in the financial services and goods business. Financial management includes financial assets and financial duties associated with changing life situations. Financially literate persons are knowledgeable about money and price concerns and responsible for their own or family budgets". A more specific subset of general economic literacy is financial literacy. The ability to earn a certain income is related to financial literacy, just like numeracy (using mathematical knowledge to solve numerical problems), taking into account the effects of individual choices on present and future earnings, labour market orientation, the capacity to make spending decisions, etc. Legal literacy, anxiety, and information literacy (finding relevant information in the context, evaluating it, and other abilities). Fostering and developing citizens' political, legal, and economic viewpoint is necessary for the formation and growth of these domains.

Financial literacy has a systematic definition. Financial management for an individual or family involves three components:

- **Money Literacy:** Abilities needed for managing cash and non-monetary finances;
- **Price Literacy:** Abilities need to comprehend inflation and the price mechanism;
- **Budget literacy:** Includes the capacity to handle various life events as well as the skills necessary to manage a personal or family budget (for example, the capability to create a budget, set financial objectives, and choose how to distribute financial resources). Managing financial assets (such as deposits, investments, and insurance) and managing financial liabilities are two additional specific components of budgeting literacy in addition to the core components described above (loans or leases). In both cases, it presupposes a deeper knowledge of the market for a wide range of complex financial goods and services as well as the ability to evaluate possibilities and pick the best one.

Measuring financial literacy: The ability to analyse economic data and make financial decisions for one's household can be difficult to assess, despite the importance of determining a person's level of financial literacy. Perhaps as a result, only a small number of scholars before the year 2000 included financial literacy in their theoretical models of saves and money management. Our efforts to evaluate financial literacy in the context of creating financial literacy measures for American human resources are guided by four primary principles:

- **Simplicity:** We wish to evaluate basic financial concepts, such as the financial ABCs.
- **Relevance:** Broad principles rather than specific contextual notions required to be captured by the questions in order to be applied to people's daily financial decisions throughout their lifetimes.
- **Summary:** In order to achieve widespread approval, the number of questions should be limited to a minimum. This is because certain representative surveys could devote an excessive amount of time to topics related to financial literacy.
- **Differentiating ability:** To compare people based on their responses to standard questions, we need questions that can distinguish between different levels of financial literacy.

Analysis and Discussion

TABLE 1. Frequencies Statistics

Frequencies Statistics							
		A1	A2	A3	A4	A5	A6
N	Valid	5	5	5	5	5	5
	Missing	0	0	0	0	0	0
Mean		25.20	32.20	28.20	28.00	25.80	9.40
Std. Error of Mean		5.553	5.757	5.508	3.479	3.680	6.408
Median		26.00	36.00	32.00	28.00	27.00	3.00
Mode		9[a]	14[a]	7[a]	16[a]	27	3
Std. Deviation		12.418	12.872	12.317	7.778	8.228	14.328
Variance		154.200	165.700	151.700	60.500	67.700	205.300
Skewness		-.268	-.545	-1.832	-.829	-.180	2.222
Std. Error of Skewness		.913	.913	.913	.913	.913	.913
Range		30	33	31	21	23	33
Minimum		9	14	7	16	14	2
Maximum		39	47	38	37	37	35
Sum		126	161	141	140	129	47
Percentiles	25	13.00	19.50	18.00	21.50	19.00	2.50
	50	26.00	36.00	32.00	28.00	27.00	3.00
	75	37.00	43.00	36.50	34.50	32.00	19.50

Table 1 Shows the Frequency Statistics in A1, A2, A3, A4, A5, A6 are given. Valid 5, Missing value 0.

TABLE2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
A1	5	9	39	25.20	12.418
A2	5	14	47	32.20	12.872
A3	5	7	38	28.20	12.317
A4	5	16	37	28.00	7.778
A5	5	14	37	25.80	8.228
A6	5	2	35	9.40	14.328
Valid N (listwise)	5				

Table 2 shows the descriptive statistics values for analysis N, range, minimum, maximum, mean, standard Deviation A1, A2, A3, A4, A5, A6 this also using.

TABLE 3. Correlations

Correlations						
	A1	A2	A3	A4	A5	A6
A1	1	.982**	0.866	0.412	0.434	0.073
A2	.982**	1	.886*	0.442	0.543	0.199
A3	0.866	.886*	1	0.775	0.723	0.216
A4	0.412	0.442	0.775	1	0.57	-0.036
A5	0.434	0.543	0.723	0.57	1	0.788
A6	0.073	0.199	0.216	-0.036	0.788	1

Table 3 shows the correlation between motivation parameters for A1, A2, A3, A4, A5, A6

TABLE 4. Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.850	.869	6

Table 4 shows the Cronbachs Alpha Reliability result. The overall Cronbachs Alpha value for the model is .850which indicates 85% reliability. From the literature review, the above 86% Cronbachs Alpha value model can be considered for analysis.

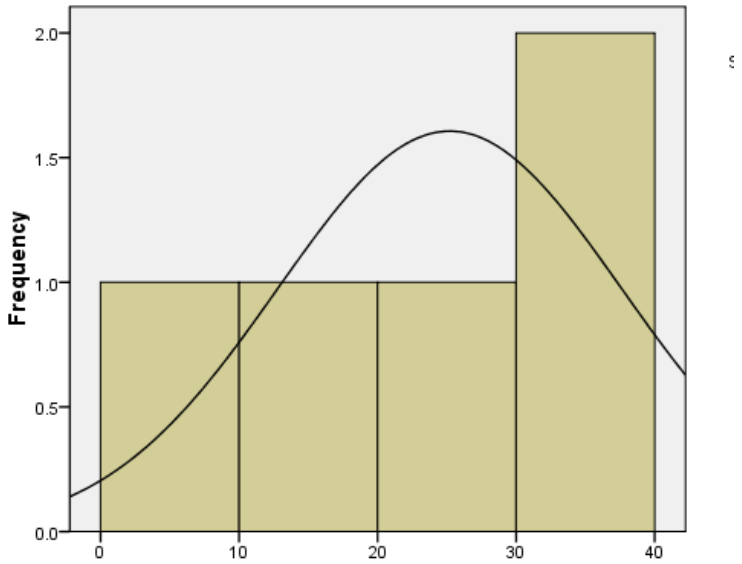

FIGURE 1. A1

Figure 1 shows the histogram plot for A1 from the figure it is clearly seen that the data are slightly Right skewed due to more respondent chosen 1 for A1 except the 0.2 value all other values are under the normal curve shows model is significantly following normal distribution.

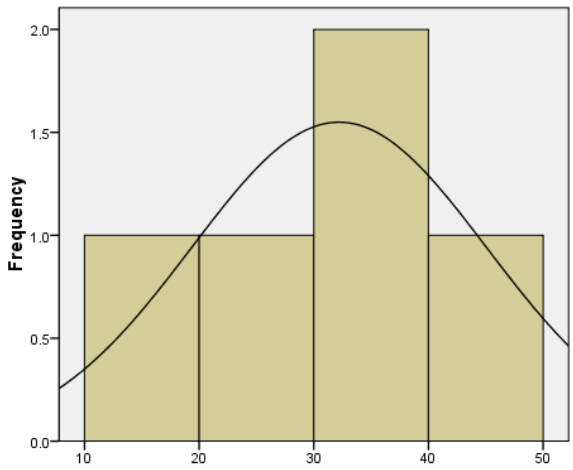

FIGURE 2. A2

Figure 2 shows the histogram plot for A2 from the figure it is clearly seen that the data are slightly Right skewed due to more respondent chosen 30 for A2 except the 20 value all other values are under the normal curve shows model is significantly following normal distribution.

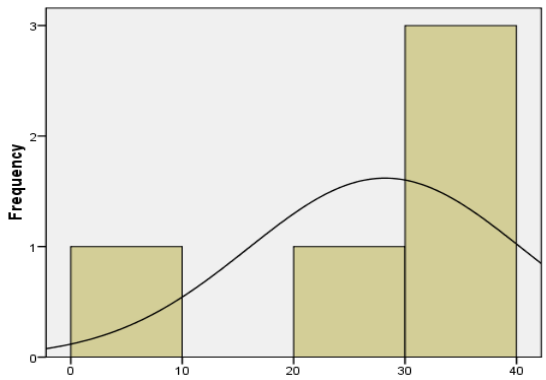

FIGURE 3. A3

Figure 3 shows the histogram plot for A3 from the figure it is clearly seen that the data are slightly Left skewed due to more respondent chosen 30 for A3 except the 20 value all other values are under the normal curve shows model is significantly following normal distribution.

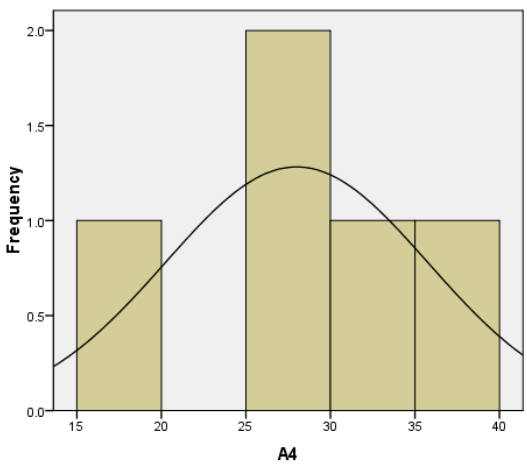

FIGURE 4. A4

Figure 4 shows the histogram plot for A4 from the figure it is clearly seen that the data are slightly Right skewed due to more respondent chosen 25 for A4 except the 20 value all other values are under the normal curve shows model is significantly following normal distribution.

FIGURE 5. A5

Figure 5 shows the histogram plot for A5 from the figure it is clearly seen that the data are slightly Right skewed due to more respondent chosen 25 for A5 except the 20 value all other values are under the normal curve shows model is significantly following normal distribution.

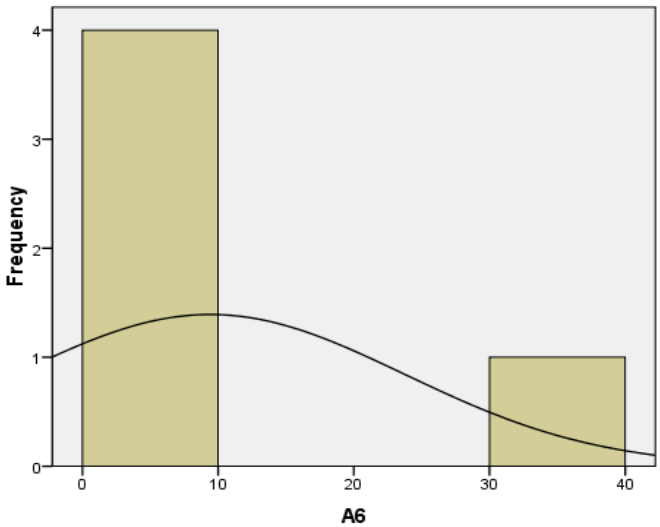

FIGURE 6. A6

Figure 6 shows the histogram plot for A6from the figure it is clearly seen that the data are slightly Right skewed due to more respondent chosen 10 for A6except the 30 value all other values are under the normal curve shows model is significantly following normal distribution.

Conclusion

Market developments therefore may not necessarily result in an increase in financial understanding, suggesting that knowledge gains may only come through personal financial experiences. Globally, there are significant disparities in general financial knowledge by gender and age. When it comes to financial literacy, women are consistently less knowledgeable than males - they know less. Older populations may be more vulnerable due to their low financial literacy levels. Many adults lack a good grasp of money, and many people are unfamiliar with basic economic concepts like risk diversification, inflation, and compounding, according to a number of studies. Furthermore, there is compelling evidence that links financial literacy to assessments of a person's portfolio and capacity for wealth accumulation. However, none of these publications mention that developing financial literacy is a decision that people make by comparing costs and benefits and determining how much to invest. In this paper, we consider the development of financial literacy as a specific sort of human capital accumulation and recognise the potential value of early math skills in forecasting the trajectory of future financial literacy. We contend that the

early acquisition of mathematics skills is strongly connected with early financial literacy. Following the global financial crisis, serious gaps in financial literacy have alarmed policymakers from all over the world. The best strategies to increase financial education are being identified, and efforts are being made to close these gaps with targeted programs. "Many Americans lack the basic financial abilities to build and maintain a budget, comprehend credit, understand investment vehicles, or use our banking system". For consumers to navigate an economic crisis like this, basic financial education is crucial. According to the US Federal Reserve Board, financial education must be a lifelong activity for consumers of all ages and income levels in order to assist them use products in our dynamic and complex financial marketplace and adapt to changes in their financial requirements and circumstances. Informed, self-advocating customers are one of the best lines of defence against the proliferation of improper, excessively priced, or fraudulent financial products and services. The study looked at the relationship between financial literacy and financial well-being, financial literacy and financial concerns, and the relationship between financial well-being and financial concerns. Additionally, research was done on how demographic characteristics affected people's financial health, financial knowledge, and financial concerns. Age, gender, marital status, and score change were among these variables. The findings clarified a number of important topics. There is also a relationship between financial literacy and variables related to marital status, gender, educational level, and financial security. Higher levels of financial well-being are also a result of financial literacy. Third, greater financial literacy leads to reduced financial concern. Finally, a greater sense of financial security reduces financial stress. It has been found through numerous studies that over the past 20 years, financial literacy has piqued the interest of numerous researchers, organizations, and economies. Because of the tremendous efforts made by the economies of the globe to improve the financial well-being of their inhabitants, financial literacy has become more important. The well-being of households can be improved by educating them about the advantages of smart money management. Increasing financial literacy should be a top priority for policymakers, not only for the people who will directly benefit but also for their families, who will enjoy benefits like financially secure retirements and higher college costs, as well as for society as a whole, which benefits from the lower financial impact of many of its members. The market is quick to react to fill the hole and plays a significant influence in the private sector's improvement of financial literacy. The public sector, meanwhile, has at least an equal importance function to play. First, a thorough web-based campaign may quickly deliver information that the public sector considers trustworthy and dependable. Second, attempts to harmonize current policies toward saving can boost the effectiveness of conventional efforts to enhance savings and improve the results of initiatives to promote financial literacy. Following these developments can be a fascinating area for both economic and public policy research.

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