

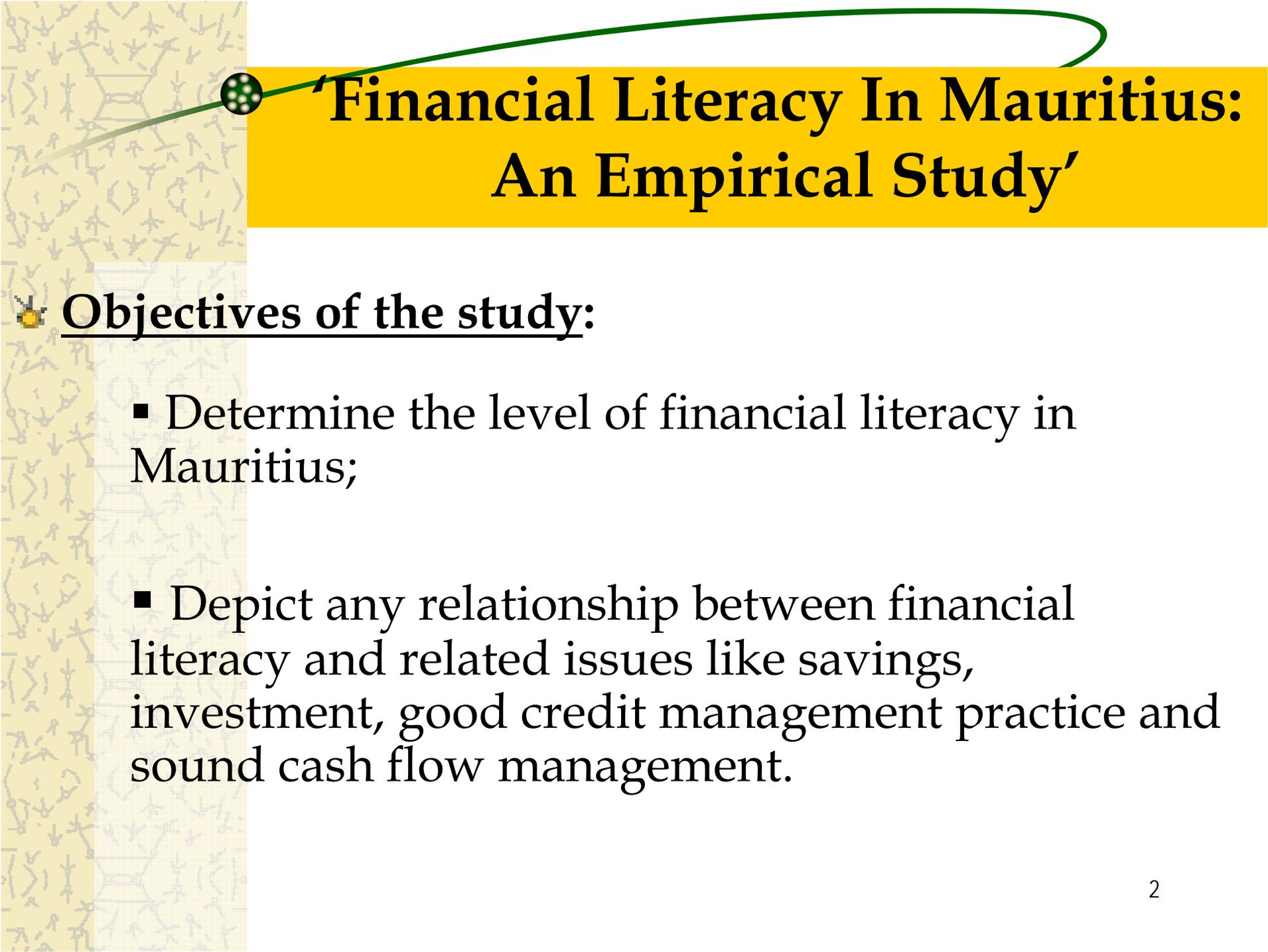
'Financial Literacy : Evidence from Mauritius'

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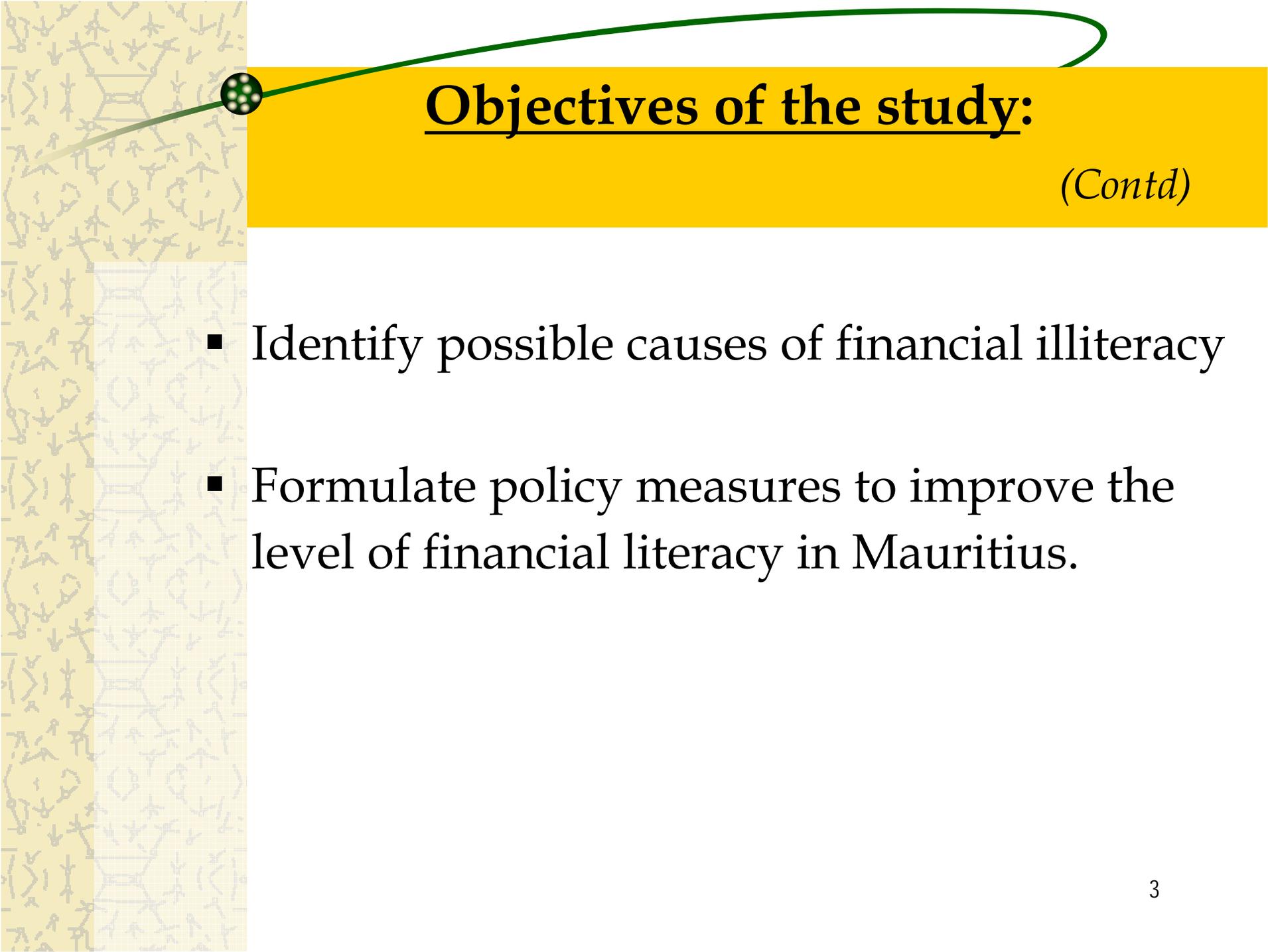
A Mauritius Research Council funded project.



'Financial Literacy In Mauritius: An Empirical Study'

✦ Objectives of the study:

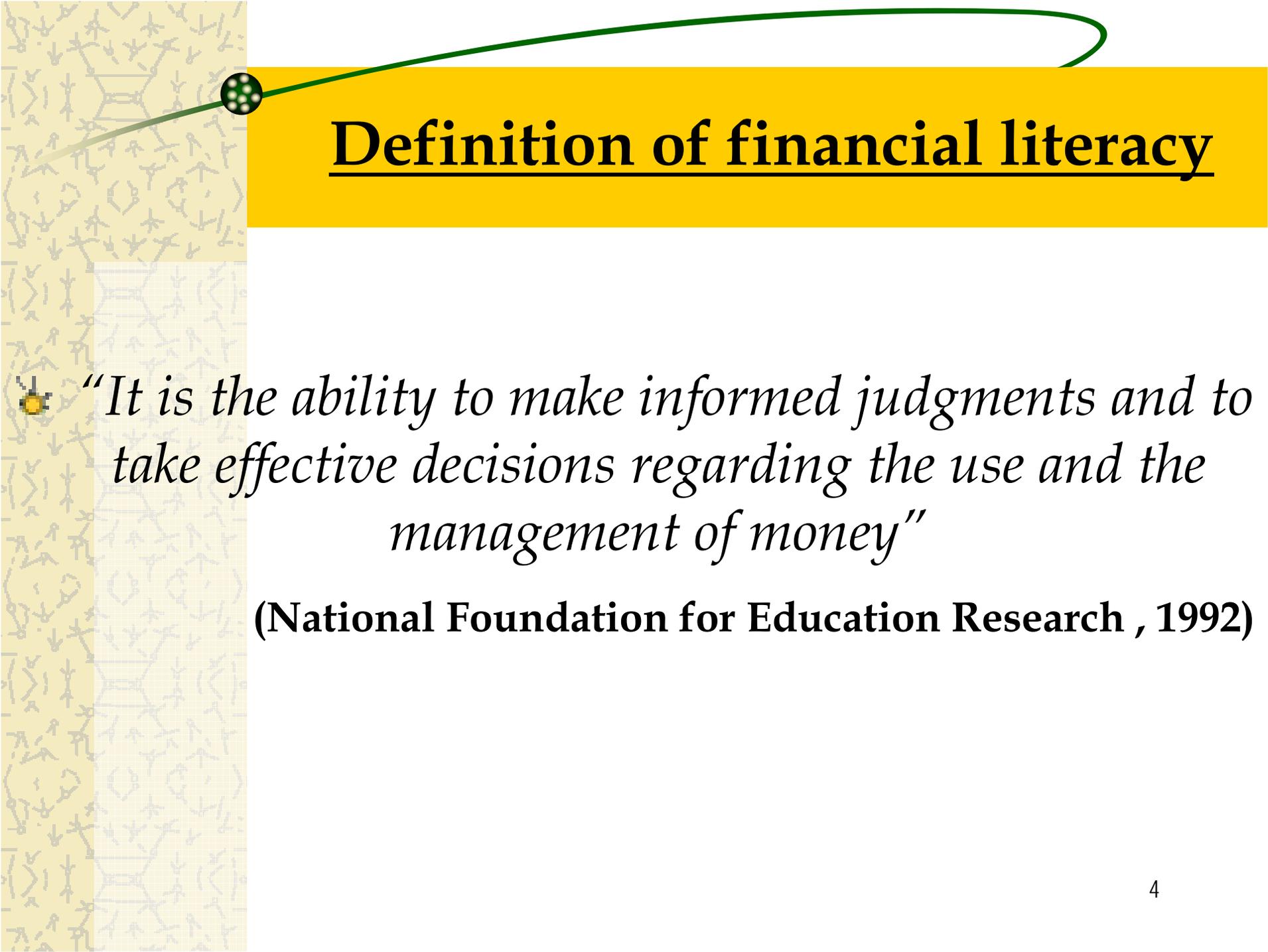
- Determine the level of financial literacy in Mauritius;
- Depict any relationship between financial literacy and related issues like savings, investment, good credit management practice and sound cash flow management.



Objectives of the study:

(Contd)

- Identify possible causes of financial illiteracy
- Formulate policy measures to improve the level of financial literacy in Mauritius.



Definition of financial literacy

✿ *“It is the ability to make informed judgments and to take effective decisions regarding the use and the management of money”*

(National Foundation for Education Research , 1992)

Definition of financial literacy

(Contd)

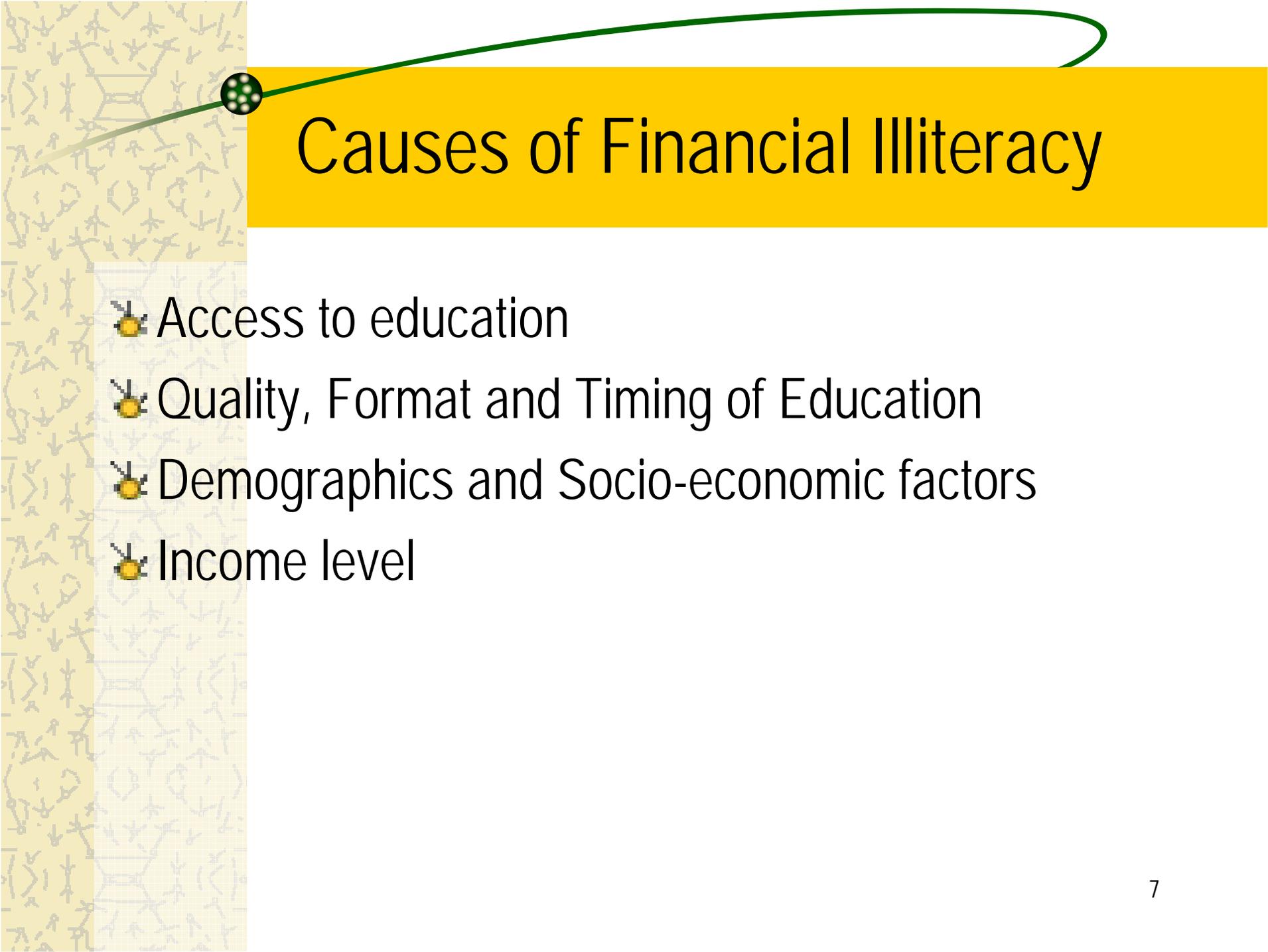
“...It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort or plan for the future, and respond competently to life events that affect everyday financial decision, including events in the general economy”.

(National Endowment for Financial Education, 2002)



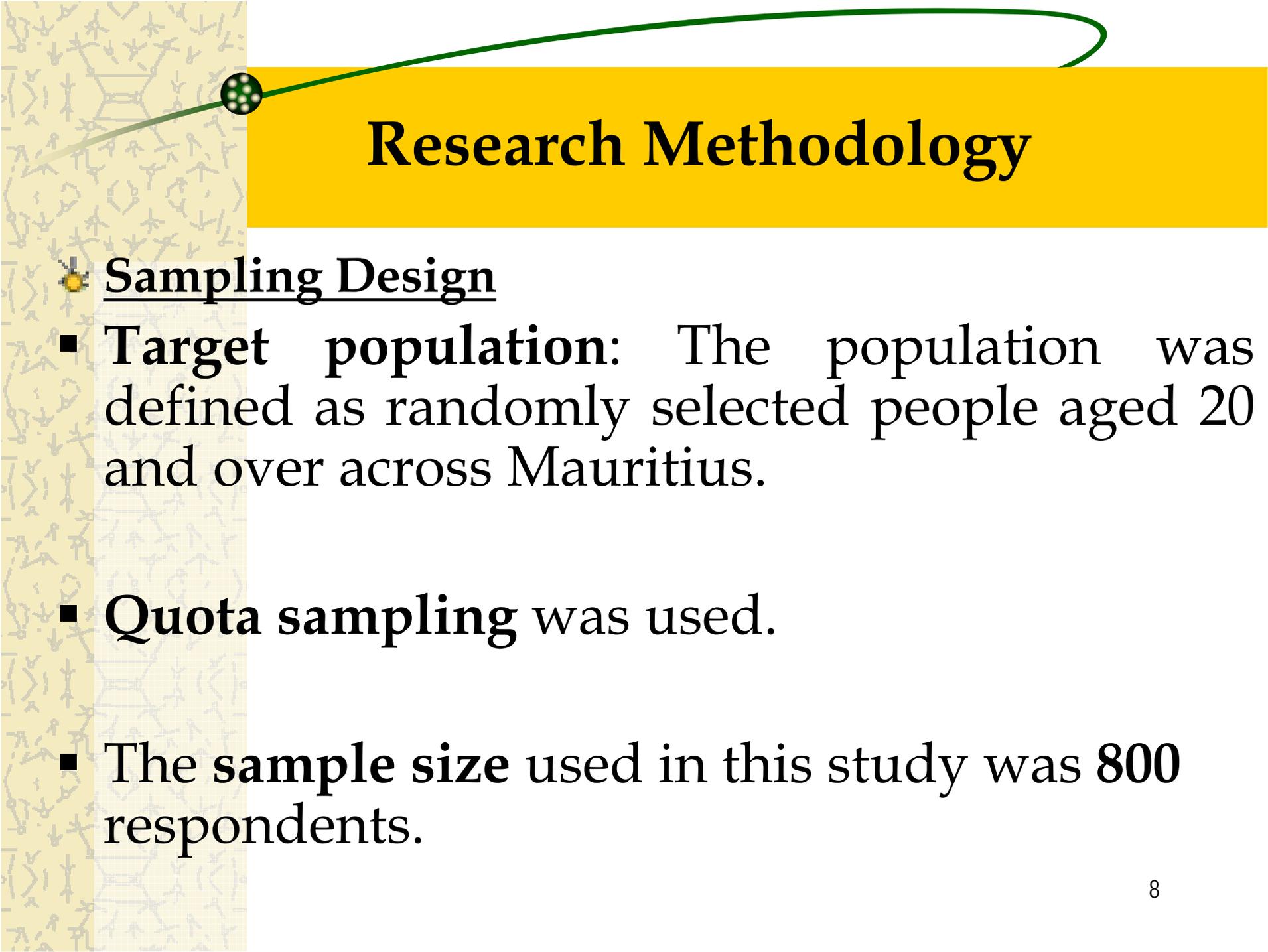
Financial Literacy in other countries

- ✿ Rosso (2004)-USA
- ✿ ANZ Bank (2002) – Australia
- ✿ Schagen and Lines (1996) - UK



Causes of Financial Illiteracy

- ✚ Access to education
- ✚ Quality, Format and Timing of Education
- ✚ Demographics and Socio-economic factors
- ✚ Income level



Research Methodology

✦ Sampling Design

- **Target population:** The population was defined as randomly selected people aged 20 and over across Mauritius.
- **Quota sampling** was used.
- **The sample size** used in this study was **800** respondents.



Research Methodology



Questionnaire design

- The questionnaire included financial literacy on personal finance, borrowing, debit card/ credit card/ ATM card, insurance, investments and savings.
- Survey participants were asked to answer 43 questions including 36 multiple-choice questions of their knowledge on personal finance and seven questions on demographic data.

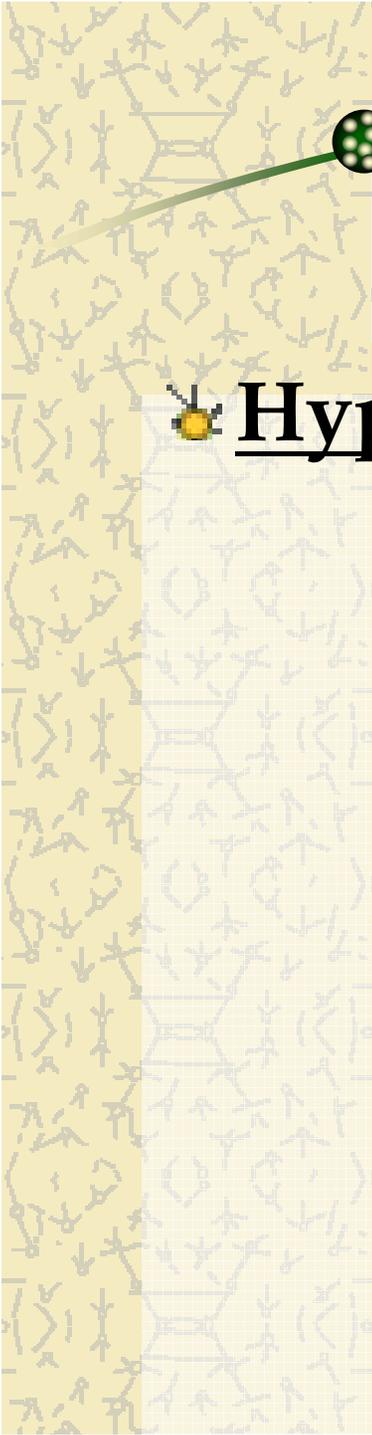
Research Methodology

✦ Score calculation

- The responses from each participant was used to calculate the mean percentage of correct scores for each question, section, and the entire survey.
- ??
- The mean percentage of correct scores has been grouped into:
 - (1) more than 80% (high level of knowledge),
 - (2) 60% to 79% (medium level of knowledge), and
 - (3) below 60% (relatively low level of knowledge).



Research Methodology



Hypothesis Testing

Analysis and Findings

- ✦ The **response rate** was **74.86%**, that is, out of the 800 questionnaires distributed, 599 were successfully completed and returned.
- ✦ Kaiser-Mayer-Olhin = 0.833
- ✦ **Profile of respondents**
 - From the 599 respondents surveyed, 52.5% were males and 47.3% females
 - The majority of respondents were in the '45-49'-age category.
 - While 38.95% had Tertiary education/ Professional qualifications, 28.91% and 21.60% correspondingly stated that they were SC holders and HSC holders.

Analysis and Findings

By Dimensions:

- Personal finance
- Borrowing,
- Debit card/ credit card/ ATM card,
- Insurance
- Investments
- Savings.

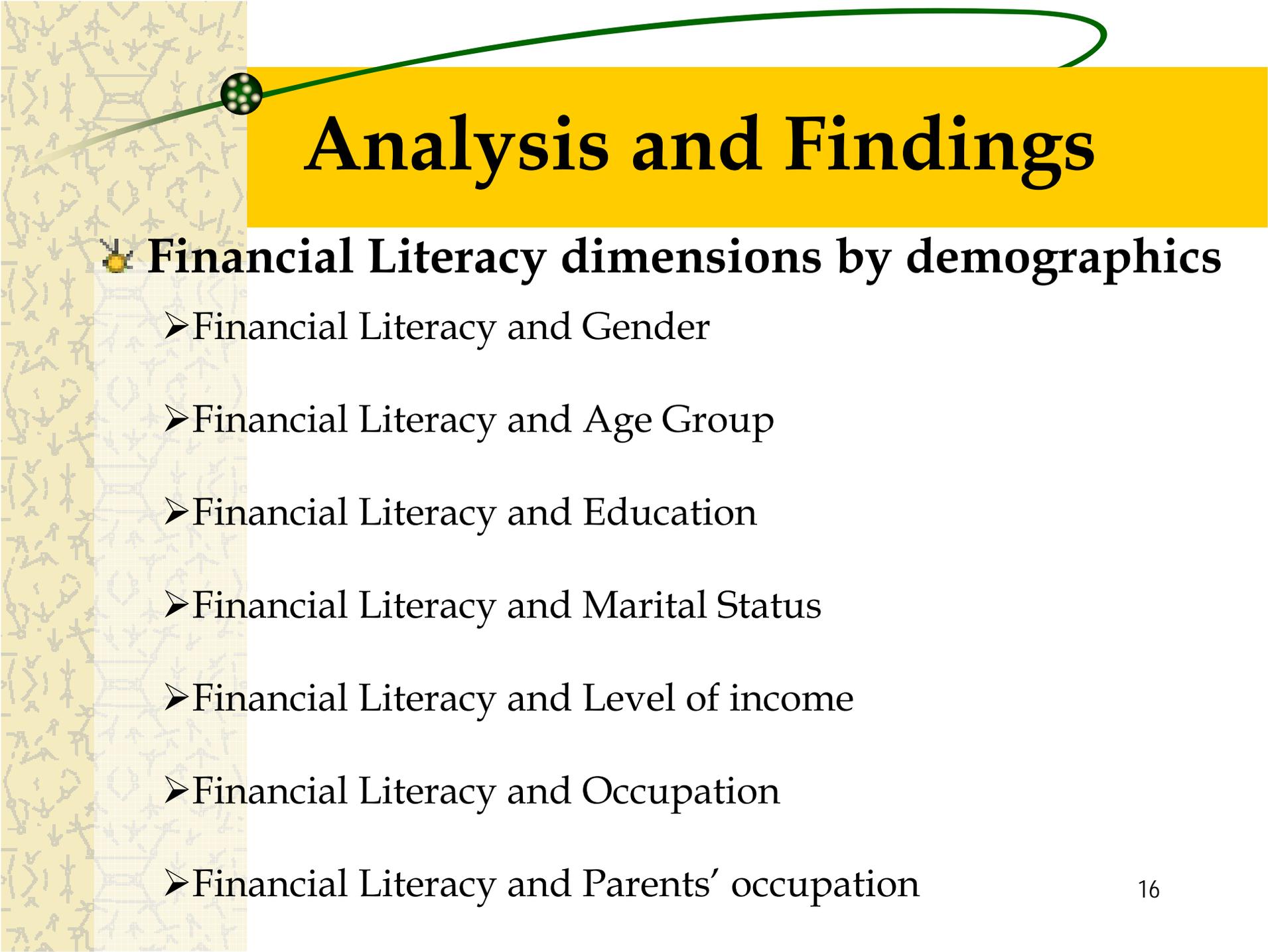


Analysis and Findings

- **Personal Finance:** mean percentage of correct answers = 54.90%
- **Borrowings:** The mean score was 49.70 %
- **Savings:** The mean score was approximately 50%

Analysis and Findings

- **Investment** :Percentage mean score obtained =35.56%)
- **Debit/Credit/ATM Cards**: Percentage mean score obtained = 71.50%- highest score
- **Insurance** : The mean score was 29.76 %, the lowest



Analysis and Findings

Financial Literacy dimensions by demographics

- Financial Literacy and Gender
- Financial Literacy and Age Group
- Financial Literacy and Education
- Financial Literacy and Marital Status
- Financial Literacy and Level of income
- Financial Literacy and Occupation
- Financial Literacy and Parents' occupation

Analysis and Findings

Financial Literacy and Gender

- Overall, men had a better understanding of financial matters than women.
- The analysis of variance further confirmed that **gender significantly affected overall financial literacy** [F (2,595) = 3.38, < .05].
- Individual ANOVA run for each dimension however revealed that there were **significant gender differences** for **savings, investment and insurance** themes only.

Analysis and Findings

• Financial Literacy and Age Group

- The past finding that age brings greater financial wisdom, held only partially
- **Age had a significant impact on the financial acumen of the Mauritian respondent as a whole [F (3, 590) =5.85, < .05].**
- Yet, the individual analysis of variance reports **statistically significant age group differences among Personal Finance, Borrowings, Saving and Debit/Credit cards themes only.**

Analysis and Findings

✦ Financial Literacy and Education

- Education played an important role in improving an individual's knowledge of financial matters
- The **educational class** of an individual **significantly impacted** on his **overall financial knowledge** [$F(3, 584) = 51.53, < .05$].
- This trend was also confirmed in each of the six dimensions discussed.

Analysis and Findings

✦ Financial Literacy and Marital Status

- More often than not singles had the highest score, followed by married respondents
- The ANOVA finding confirmed that **marital status affected the individual's financial knowledge** as a whole [F (4, 587) =3.35, < .05]
- However, **marital status significantly impacted on personal savings and debit/credit cards only.**

Analysis and Findings

✿ Financial Literacy and Level of income

- Level of income seemed to be important determinant with respect to each financial literacy theme.
- The **level of income** of an individual **significantly impacted** on his financial literacy [$F(3, 582) = 34.72, < .05$].
- Individual ANOVAs further confirm this **income group difference among *all* the financial literacy themes.**

Analysis and Findings

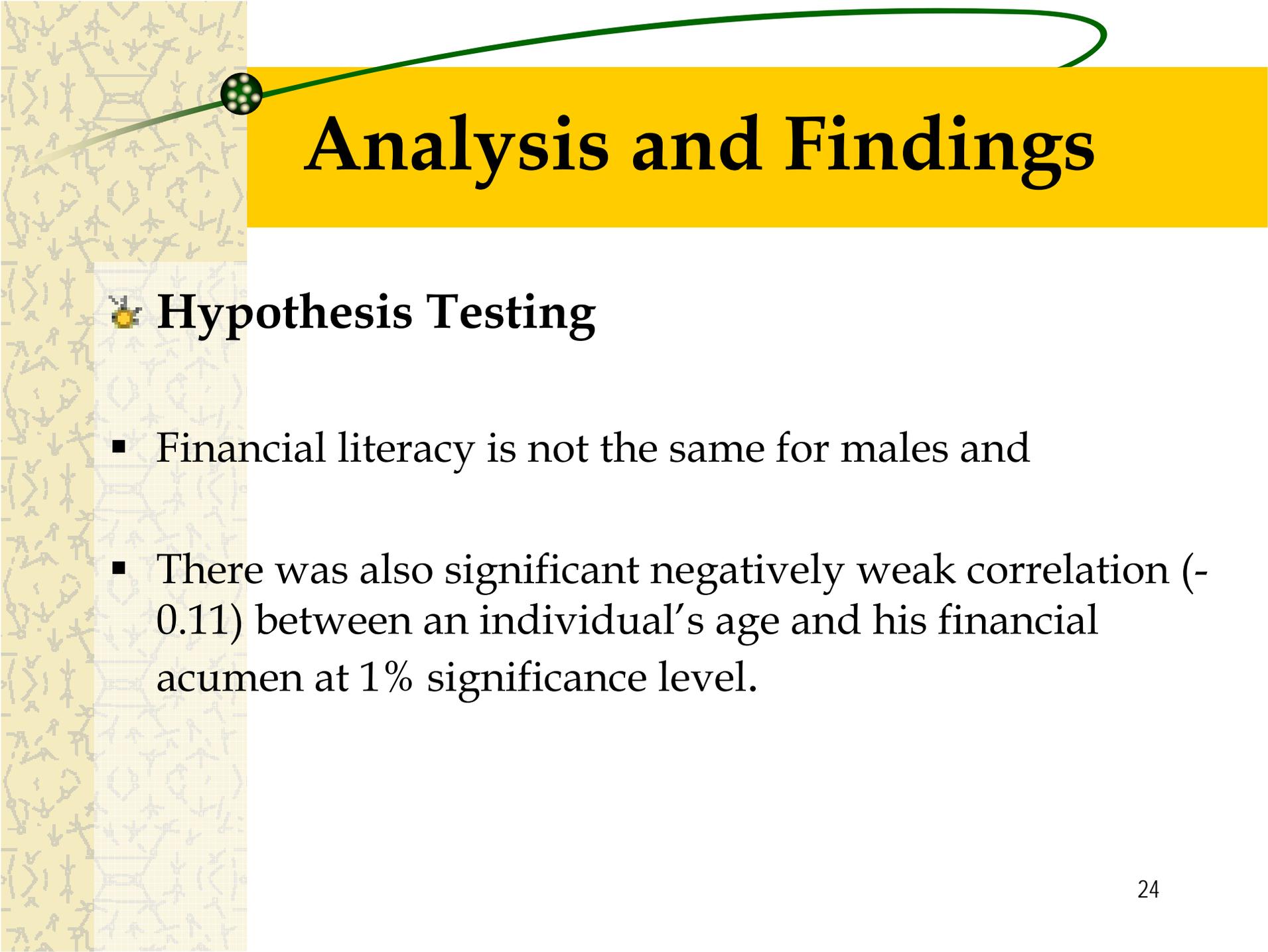
Financial Literacy and Occupation

- Respondents in jobs requiring higher education and qualifications are those who obtained the highest mean score.
- The **overall financial literacy** of an individual was **dependent of his occupation** [$F(4, 562) = 24.25, < .05$].
- The findings further divulge that this **trend was persistent for *each* financial literacy dimension**

Analysis and Findings

✦ Financial Literacy and Parents' Occupation

- No remarkable pattern was observed with regards to Parents' occupation.
- Yet, the respondent's 'parents' occupation' considerably **impacted on his financial knowledge** [$F(4, 567) = 3.10, < .05$]
- The individual f-statistics nevertheless revealed that the mean **differences** were **statistically significant** for **borrowings** and **savings** only.



Analysis and Findings

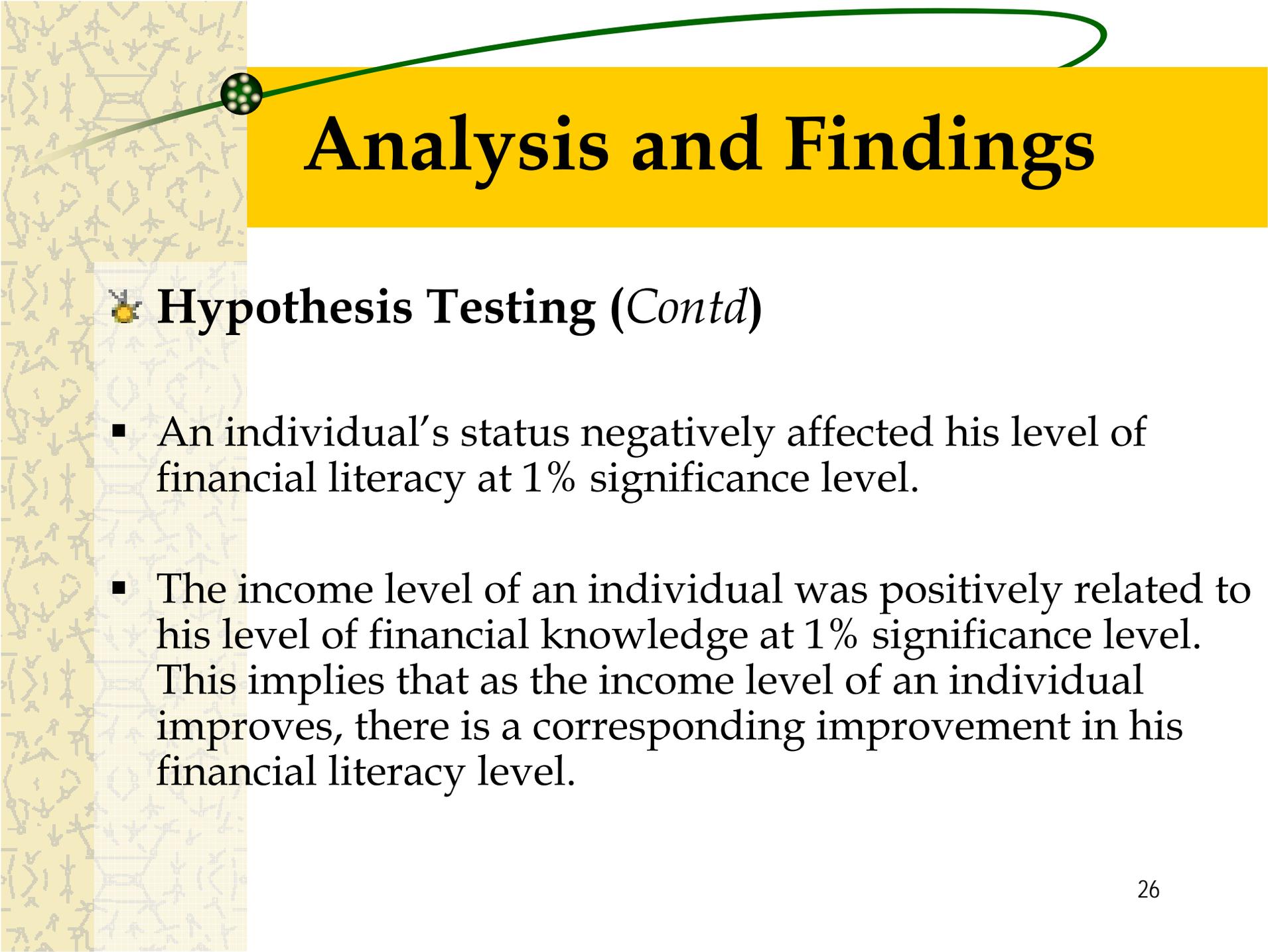
✦ Hypothesis Testing

- Financial literacy is not the same for males and
- There was also significant negatively weak correlation (-0.11) between an individual's age and his financial acumen at 1% significance level.

Analysis and Findings

✦ Hypothesis Testing (*Contd*)

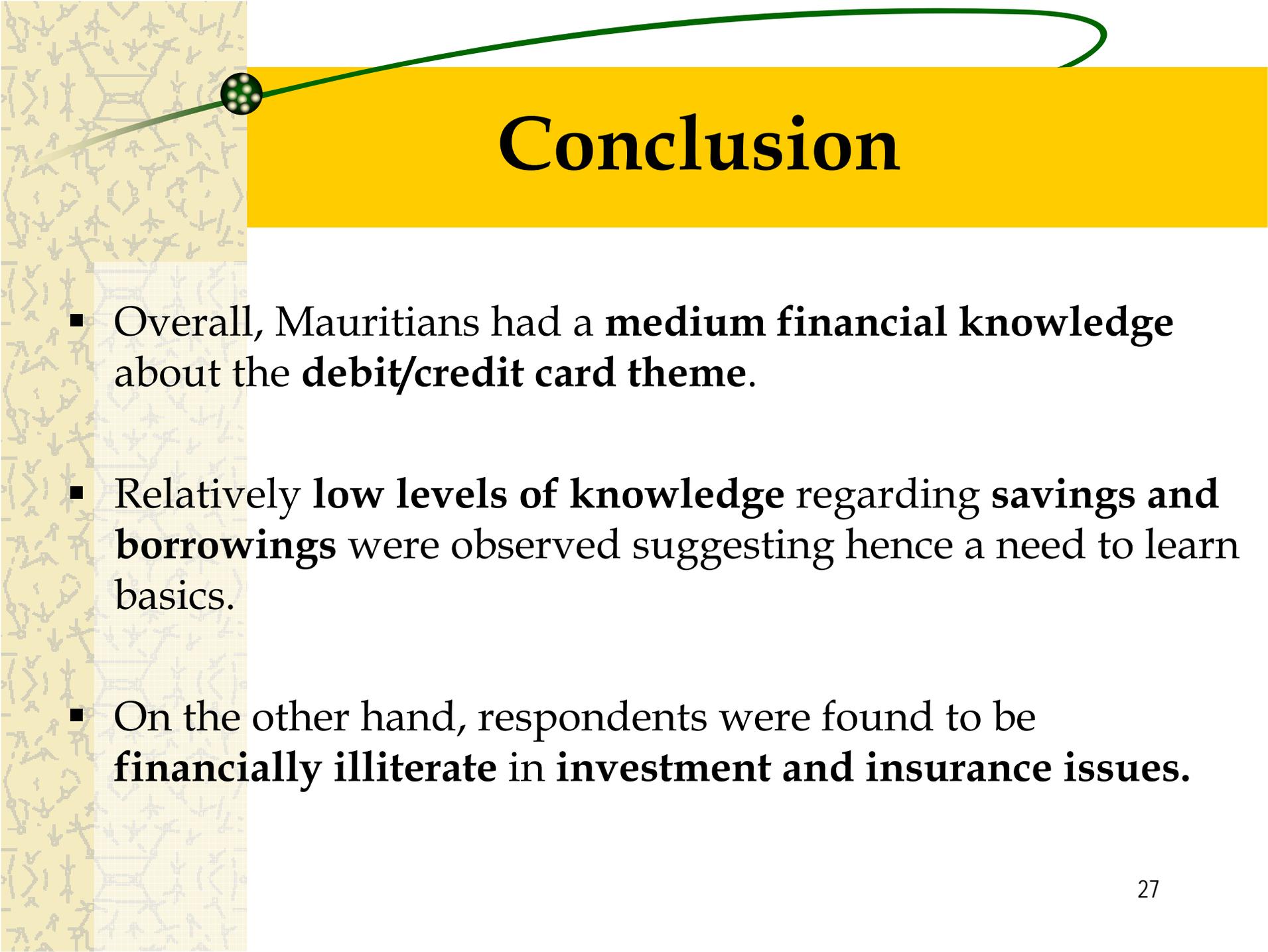
- There was a rather strong positive correlation coefficient (0.45) indicating that there was a statistically significant ($p < .001$) linear positive relationship between education and financial literacy.



Analysis and Findings

✿ Hypothesis Testing (*Contd*)

- An individual's status negatively affected his level of financial literacy at 1% significance level.
- The income level of an individual was positively related to his level of financial knowledge at 1% significance level. This implies that as the income level of an individual improves, there is a corresponding improvement in his financial literacy level.

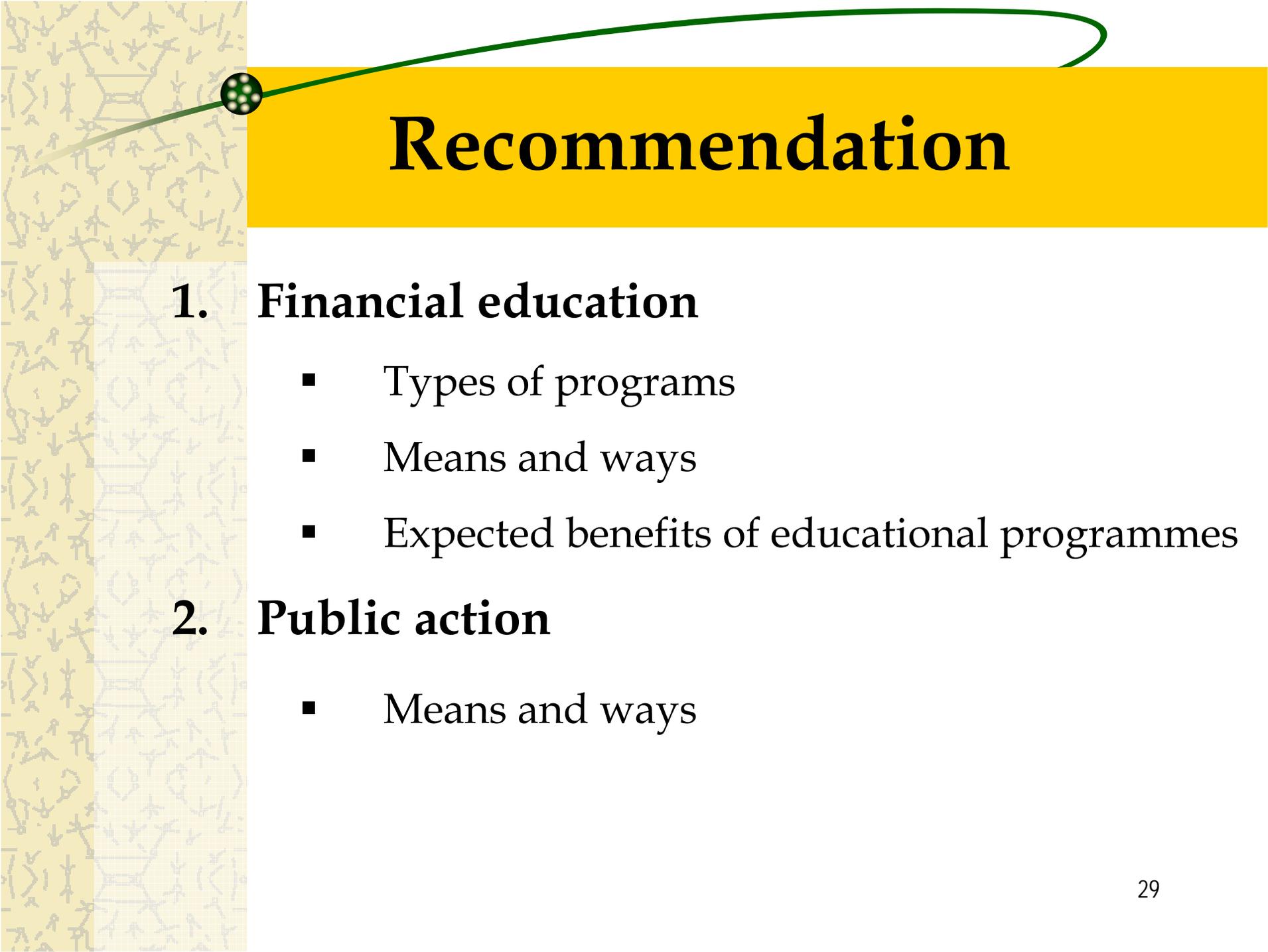


Conclusion

- Overall, Mauritians had a **medium financial knowledge** about the **debit/credit card theme**.
- Relatively **low levels of knowledge** regarding **savings and borrowings** were observed suggesting hence a need to learn basics.
- On the other hand, respondents were found to be **financially illiterate in investment and insurance issues**.

Conclusion

- **Gender, age group, education, marital status, level of income, occupation and the respondent's parent occupation significantly affected overall financial literacy [p-value < .05].**
- **There was a significant, but negative and fairly weak association between gender and financial literacy.**
- **The results also revealed a significant negatively weak correlation (-0.11) between an individual's age and his financial acumen at 1% significance level**
- **A rather strong positive correlation coefficient (0.45) was noted between education and the financial acumen of an individual**



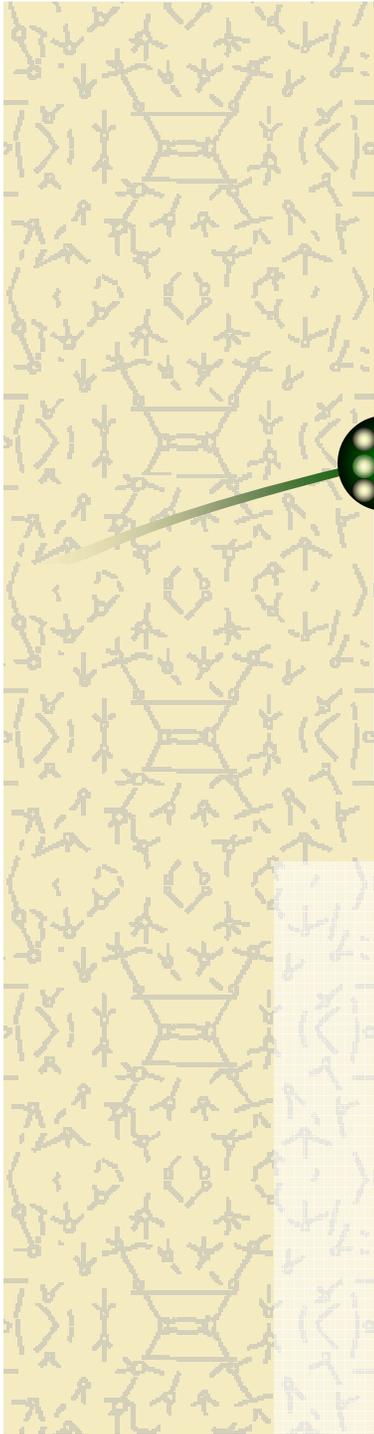
Recommendation

1. Financial education

- Types of programs
- Means and ways
- Expected benefits of educational programmes

2. Public action

- Means and ways



Thank you