

# STUDY ON FINANCIAL DECISION-MAKING AND FINANCIAL CONSEQUENCES OF EMPLOYEES IN THE TECHNOLOGY INDUSTRY ARE IMPACTED BY FINANCIAL LITERACY

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## ABSTRACT

The concept of financial literacy has developed over time and has recently attracted the attention of researchers and policymakers worldwide. Financial literacy is the set of abilities and information that enables a person to comprehend financial words and instruments and make wise judgments. The results of financial decisions have a big impact on someone's standard of living and financial security. This study aims to investigate how financial literacy affects financial outcomes and decision-making. 756 employees of IT companies located inside the city limits of Lucknow Uttar Pradesh, India, were surveyed in order to gather the basic data for the study. On the basis of the study's findings, recommendations have been made.

**Keywords:** *financial literacy, financial decisions, skills, instruments*

## INTRODUCTION

Financial literacy is the set of abilities and information that enables a person to comprehend financial words and instruments and make wise judgments. Individuals' capacity to manage their financial affairs is significantly influenced by their capacity to make informed financial judgments. The results of financial decisions have a big impact on someone's standard of living and financial security. A person who has a high level of financial literacy is in a better position to manage their financial affairs, create an effective budget, make prudent investments, and control their debt load over the long term. Since it is one of the most crucial factors in the nation's capital production, financial literacy enhances people's financial well-being while also promoting economic growth and

development through their saves and investments. According to Australian Unity draft financial literacy and wellbeing measure, “Financial literacy is a person understands of financial concepts and options in the context of their personal economic situation, combined with their behaviours’ and judgement to apply the knowledge to achieve a desired level of financial wellbeing”. ANZ (2011), Financial literacy is the ability to make informed judgments and to take effective decisions regarding the use and management of money. Financial literacy is therefore a combination of a person’s skills, knowledge, attitudes and ultimately their behaviours’ in relation to money. OECD (2012), a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

## **STATEMENT OF THE PROBLEM**

As financial markets and instruments have grown more complicated and it has become more challenging to make financial decisions, financial literacy has become increasingly important on a global scale. To comprehend the importance of budgeting, managing cash flows, and allocating assets to fulfill financial goals, a person must be financially literate. Financial literacy alone can help individuals and the nation attain their ultimate objective of financial security. According to studies conducted around the globe, there is now a poor level of financial literacy, which raises severe questions about people's capacity to ensure their financial well-being. Since IT professionals are the highest paid workers in India, where they have a higher propensity to save and invest, this study aims to determine whether they have the necessary skills and financial literacy to make appropriate financial decisions and have a secure financial future.

## **SCOPE OF THE STUDY**

Financial literacy has great impact on financial decisions which will finally lead to financial wellbeing of the investors. This study examines the relationship between financial literacy and financial outcome of the IT employees working in Lucknow district. Based on the result suggestions have been given for policy implications relating to financial literacy.

## **OBJECTIVES OF THE STUDY**

1. To study the demographic profile of IT employees of Lucknow region.
2. To examine the financial literacy attributes relationship towards financial outcome of IT Employees.
3. To identify the leading objectives of savings and investment which influence the financial decision of IT Employees.

4. To contribute suggestions for policy implications.

## HYPOTHESIS

- There is positive significant correlation between the financial literacy attributes.
- There is positive significant relationship between the financial literacy attributes and financial outcome.

## METHODOLOGY

The current study is an attempt to explore the effects of financial literacy traits, such as knowledge, attitude, behavior, and self-efficacy, on financial decisions made by employees in the Lucknow IT sector in order to attain their financial goals. Both primary and secondary sources are used in the study. The original data were gathered from 756 employees of IT businesses located within the boundaries of Lucknow, Uttar Pradesh, India. The well-educated respondents who did not require any special assistance to complete the thorough and well-structured questionnaire were employed to gather information. The secondary data were gathered from a variety of sources, including books, journals, magazines, websites, and published and unpublished reports from governmental and non-governmental organizations. Cochran's sample determination formula was used to choose the samples using simple random sampling. The framework for the analysis included all relevant statistical techniques, including multiple regression, correlation, Garrett ranking, percentage analysis, and correlation.

## ANALYSIS RESULTS

### Demographic variables

The demographics of the respondents who are working in IT Companies are classified as age, sex, marital status, educational qualification, designation, experience, and monthly income which are the independent variables for the study.

**Table 1:** Demographic Variables of the Respondents

S. No.	Demographic Variables	Categories	Respondents (756 Nos.)	Percentage (100%)
1.	Age	24 years and Below	203	26.85
		25 to 34 years	474	62.70
		35 to 44 years	64	8.47
		Above 45 years	15	1.98
2	Sex	Male	410	54.23
		Female	346	45.77
3	Marital Status	Unmarried	326	43.12
		Married	430	56.88
4	Educational Qualification	Under Graduate	377	49.87
		Post Graduate	301	39.81
		Professional	52	6.88
		Others	26	3.44
5	Designation	Team Leader	61	8.07
		Programmer	568	75.13
		Testing & QC	127	16.80
6	Experience	Upto 5 years	254	33.60
		5 to 10 years	431	57.01
		10 to 15 years	59	7.80
		More than 15 years	12	1.59
7.	Monthly Income	Less than Rs.50,000	296	39.15
		Rs.50,001 to Rs.75,000	383	50.66
		Rs.75,001 to Rs.1,00,000	54	7.14
		More than Rs.1,00,000	23	3.04

**Source:** Computed from Primary Data

From the table it is clear that maximum (62.70%) of the respondents belong to the age between 25 and 34 years, while 26.85% of the respondents belong to the age below 24 years, 8.47% of the respondents belong to the age of 35 to 44 years and the remaining 1.98% of the respondents belong to the age above 45 years. It is understood that majority (54.23%) of the respondents are male and 45.77% of the respondents are female. It is observed that most (56.88%) of the respondents are married and 43.12% of the respondents are unmarried. It is evident that almost half (49.87%) of the respondents are under graduates, 39.81% of the respondents are post graduates, 6.88% of the respondents are professionally qualified and the remaining 3.44% of the respondents possess other qualifications (Diploma, etc.). It is clear that majority (75.13%) of the respondents are programmers, while 16.8% of the respondents are working in testing and the remaining 8.07% of the respondents are Team Leaders. With respect to the experience most (57.01%) of the respondents had experience between 5 and 10 years, 33.60% of the respondents had upto 5 years' experience, 7.8% of the respondents are having experience from 10 to 15 years and the remaining 1.59% of the respondents are having experience more than 15 years. It is evident that most (50.66%) of the respondents are having income between Rs.50,001 and Rs.75,000 while 39.15% of the respondents are earning less than Rs.50,000, 7.14% of the respondents are having income between Rs.75,001 and Rs.1,00,000 and the remaining 3.04% of the respondents are having income more than Rs.1,00,000.

## GARRETT RANKING

It is observed from the Table 2 that the rating based on the objectives of savings and investment by the IT

employees was found to be high towards “Wealth Maximization” with the mean score of 58.669, while the second position was for “Tangible Dream with the mean score of 51.884, third position was for the “Growth and Income” with the mean score of 50.196, fourth position was for “Tax Benefits” with the mean score of 49.759, fifth position was for “Family Welfare with the mean score of 47.331, sixth position was for the objective “Retirement Planning” with the mean score of 46.623 and the least rank was for the objective “Future Needs” with the mean score of 45.538.

**Table 2:** Rating of the objectives of savings which influences Financial Decisions of IT Employees

Objectives of savings	Garrett Score	Garrett Mean	Garrett Rank
Tax Benefit	37618	49.759	4
Planning for Retirement	35247	46.623	6
Family Welfare	35782	47.331	5
Wealth Maximization	44354	58.669	1
Tangible Dream	39224	51.884	2
Future Needs	34427	45.538	7
Growth and Income	37948	50.196	3

It is observed from the Table 2 that the rating based on the objectives of savings and investment by the IT employees was found to be high towards “Wealth Maximization” with the mean score of 58.669, while the second position was for “Tangible Dream with the mean score of 51.884, third position was for the “Growth and Income” with the mean score of 50.196, fourth position was for “Tax Benefits” with the mean score of 49.759, fifth position was for “Family Welfare with the mean score of 47.331, sixth position was for the objective “Retirement Planning” with the mean score of 46.623 and the least rank was for the objective “Future Needs” with the mean score of 45.538.

## CORRELATION

Table 3 Correlation Results of Financial outcome among IT employees

		Financial Outcome	Financial Knowledge	Financial Attitude	Financial Behaviour	Financial Efficacy	Financial Decision
Financial Outcome	Pearson Correlation	1	.429**	.659**	.649**	.559**	.451**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
Financial Knowledge	Pearson Correlation	.429**	1	.576**	.468**	.344**	.308**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
Financial Attitude	Pearson Correlation	.659**	.576**	1	.683**	.607**	.431**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
Financial Behaviour	Pearson Correlation	.649**	.468**	.683**	1	.742**	.533**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
Financial Efficacy	Pearson Correlation	.559**	.344**	.607**	.742**	1	.483**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
Financial Decision	Pearson Correlation	.451**	.308**	.431**	.533**	.483**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	

It is understood that all the factors shows significant positive correlation and while considering the financial outcome as the base factor it is clear that the financial knowledge have moderate significant correlation with the financial outcome ( $r=0.429$ ) at 1% level. While, there is a positive high correlation between Financial Attitude and Financial outcome ( $r=0.659$ ) at 1% level. Further, it is evident that there is a positive significant high correlation between financial behaviour and financial outcome ( $r=0.649$ ) at 1% level, it is also observed that there is a positive significant high correlation between financial efficacy and financial outcome ( $r=0.559$ ) at 1% level. Finally, it is clear that there is a significant positive moderate correlation between financial decisions and financial outcome ( $r=0.451$ ) at 1% level. Therefore, it is concluded that there is a significant positive correlation between all the factors which is further analyzed to measure the power distribution using Regression analysis.

## RESULTS OF THE STUDY

### Demographics

- Maximum (62.70%) of the respondents belong to the age group between 25 and 34 years.
- Most (54.23%) of the respondents are male.
- Most (56.88%) of the respondents are married.
- It is also evident that most (49.87%) of the respondents are under graduates.
- Majority (75.13%) of the respondents are programmers.
- Most (57.01%) of the respondents are having 5 to 10 years' experience. Further, it is evident that most (50.66%) of the respondents are earning income between Rs.50,001 and Rs.75,000.

**Garrett Ranking:** It is observed from the Table 2 that the rating based on the objectives of savings and investment by the IT employees was found to be high for the objective "Wealth Maximization" and the least rank was for the objective "Future Needs".

**Correlation:** It is clear that the low level of correlation was observed with Financial Knowledge and Financial Decisions.

**Regression:** It is observed that there is no significant relationship between financial knowledge and financial outcome and less significance between financial efficacy and financial outcomes.

### Suggestions

- Awareness programme should be conducted by the Government to enhance the financial knowledge of investors.
  - Financial guidance and training should be given for the investors regularly in order to improve their financial health.
  - Government can setup institution for financial literacy to empower the investors.
  - Workshops concerning investment products should be conducted to increase the familiarity of new financial products among investors.

### CONCLUSION

Financial products are the tools used to invest, save, buy insurance, and obtain a mortgage. These are made available by a number of banks, financial institutions, stock brokerages, insurance firms, credit card companies, and government-sponsored organizations to assist investors in making investments in a wide range of products while ensuring the security and expansion of their portfolios. In this study, the knowledge, attitude, behavior, and efficacy of the individuals are taken into account, and it is examined how these traits affect their financial decisions and outcomes. The study decided to look at the financial literacy of IT sector employees because, in today's investing market, employees in the IT sector receive outrageously higher salaries than those in other industries. In order to assist IT investors in achieving the required financial outcomes, policymakers must pay attention to the financial qualities' weakest areas, which are highlighted by the results. The regression results were shown to be significant even though there was little association between financial decision and financial outcome, indicating that financial efficacy needs to be increased. It is stated that in order to reach the required financial outcome, it is clear that knowledge and financial efficacy need to be improved based on the perception of the IT staff.

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