
A Study of Financial Literacy and Its Impact on Investment Decision Among School Teachers

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Introduction:

Financial literacy is the ability to understand how to manage and invest money. Knowledge of financial literacy is required to understand how money works and how it can work by investing. To understand money and how it works, it's important to understand common financial literacy principles such as; financial goals, budgeting, Research studies across countries on financial literacy have shown that most individuals don't understand the simple concepts of finance before making financial decisions. Lack of financial literacy education is responsible for lack of money management skills and financial planning for individuals. Most individuals lack information about saving and investing. Many individuals fail to plan ahead and they take on financial risks without realizing it. Problems of debt are severe for a large proportion of the population because of financial illiteracy. Financial education can benefit consumers of all ages and income levels. For young adults just beginning their working lives, it can provide basic tools for budgeting and saving so that expenses and debt can be kept controlled. Financial education can help families acquire the discipline to save for their own home and/or for their children's education. It can help older workers ensure that they have enough savings for a comfortable retirement by providing them with the information and skills to make wise investment choices with their individual pension and savings plans. Financial education can help low-income people make the most of what they are able to save and help them avoid the high cost charged for financial transactions by non-financial institutions.

Literature Review

Knapp (1991) has explained —modern consumer education is a lifelong process essential to the economic well-being of society. To gather the views about the benefits of consumer education, he surveyed consumer professionals and found that consumer education offers the following benefits to individuals: (a) encourages critical thinking, (b) imparts life skills that contribute to success in everyday living, (c) promotes self-confidence and independence, (d) fosters broadly accepted values, and (e) improves the quality of life. Lusardi and Tufano (2009) found that low levels of financial literacy resulted into an inability to understand basic financial concepts and poor judgment in borrowing decisions and retirement planning and hence poor financial management. Poor financial decisions can slush households in debt and lead to much lower living standards.

For better understanding of financial literacy and its relation to financial decision making, Maarten van Rooji, Annamaria Lusardi and Rob Alessie (2007) designed two modules: 1) Basic financial literacy and 2) Advanced financial literacy, covering the questions to measure numeracy and basic knowledge related to the working of inflation and interest rates, as well as questions to measure more advanced financial knowledge related to financial market instruments (stocks, bonds, and mutual funds) before entering into the stock market. They used the data from the 2005 DNB (De Nederlandsche Bank) Household Survey (DHS). This data set was representative of the Dutch population, and was contained over 2,000 households. This study found that lack of financial literacy correlates with investors' decisions to participate in the stock market and also financial literacy matters for stock market ownership, even after controlling a large set of demographic variables, income and wealth.

Luigi Guiso and Tullio Japelli (2008) attempted to find out a correlation between financial literacy and portfolio diversification by using the data of Unicredit Clients' Survey conducted between June and September 2007. They have developed a sample of Italian clients possessing at least 10,000 euro of financial wealth of the Unicredit Group. The survey collected data from the respondents of 1686 individuals having a checking account in one of the banks of Unicredit Group. The objectives of the study were to analyze the different levels of financial literacy, with reference to the information required to choose among different sets of assets and understand the meaning of diversification. After analyzing the impact of financial literacy and investors' characteristics on portfolio diversification, they found that measures of financial literacy are strongly correlated with the degree of portfolio diversification, and infer that the evidence is consistent with explanation of under diversification based on investors' limited financial literacy.

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Hussain et al. (2009281) studied the level of financial literacy of UAE individual investors who invest in local financial markets and examined the relationship between financial literacy and the influence of the factors that affect the investment decision.. The data were collected from 290 national investors. The study found that financial literacy of UAE investors is far from the needed level. The financial literacy level was found to be affected by income level, education level and workplace activity. High-income respondents hold high educational degrees, and those who work in the field of finance/banking or investment had as expected a higher financial literacy level than others, whereas, financial illiteracy exists regardless of the age of the respondents.

Seth et al., (2010282) assessed the level of financial literacy among the investors of Delhi and National Capital Region. The study attempted to analyze the relationship between financial literacy and other factors like age, income, and education. The study indicated that the financial literacy of investors in Delhi and NCR was different for different financial instruments. Around 96% of them have savings account in the banks, but the mere acquaintance with banks is not adequate, as only around 30% had knowledge about National Savings Certificate & Public Provident Fund. While 98 % of the investors knew about Life Insurance, only about 45% preferred Life Insurance as the most effective financial instrument, which would be helpful at the time of contingencies. Around 92 %of the investors knew about Mutual Funds but only 24 % preferred them. Financial literacy is found to be affected by age, income and educational level of the individuals. High-income respondents had high financial literacy than lower income people. The study also revealed that people consider Life Insurance as the most effective financial instrument followed by Fixed Deposits in banks. It was also found that most of the people relied on telecast in the T.V channels or advertisements put out in the newspapers and magazines to learn about financial products followed by —advicel from friends. But, while investing in share market, around 21% people relied on brokers. Saving may be regarded as a process undertaken by consumers and may be calculated by the balance from disposable income after accounting for current expenditure. Warneryed (1999102) said that —from a psychology point of view, saving is considered as the result of a deliberate decision making process and to save as the act of regularly keeping away some resources for a goal.

Toussaint- Comeau (2002203) using the data from a household survey conducted in Chicago, found that socio-economic, demographic and life style characteristics affect consumers‘ preferences as to receipt of financial information. They found, households with lower income, less educated are less likely to select internet as means of finding information about personal financial issues, but more likely to prefer formal courses offered in the local community.

Research Methodology

- The primary data was collected by conducting a survey of 50 teachers in North Goa.
- Secondary source of data is through books, magazines from college library, central library.
- The information was also gathered from the internet.

For the survey school teachers from different schools namely Mushtifund Higher Secondary, K.B. Hedgewar Higher Secondary and Dempo Higher Secondary from Cujira School Complex were chosen.

Objective of the study

- 1.To study the saving and/or investment alternative of school teacher.
- 2.To study the major financial objective of school teacher.
- 3.To study the level of financial literacy among school teacher.

Discussion

TABLE NO. 1

DISTRIBUTION OF RESPONDENTS ON THE BASIS OF AGE

Particulars	No. of Respondents
25-34	20
35-44	19
45-54	9
55 and above	2

Source: Primary Survey

Table 2.1 presents age category of the 50 respondents. Out of which 20 were of the age group between 25-34, 19 were of the age group 35-44. Respondents who belong to the age group of 45-54 were 9 and the remaining belong to age group 55 and above.

TABLE NO. 2
GENDER

Particulars	No. of Respondents
Male	9
Female	41

Source: Primary Survey

According to the above table from the total sample of 50 respondents, 41 were female and 9 were male.

TABLE NO. 3
EDUCATIONAL QUALIFICATIONS

Particulars	No. of Respondents
Intermediate (STD 12) or Less	Nil
Bachelor's Degree/ Diploma (basic or professional)	5
Master's Degree / Diploma (basic or professional)	43
Doctoral Degree / Fellowship	2

Source: Primary Survey

The respondents were classified based on their education qualifications. Among which, majority of the respondents (43) had master's degree/diploma, 5 had bachelor's degree/diploma, 2 respondents had doctoral degree/fellowship.

TABLE NO. 4
EMPLOYMENT STATUS

Particulars	No. of Respondents
Employed in Government/semi Government/Public sector	50
Employed in Private sector	NIL

Source: Primary Survey

All the respondents who were interviewed were employed in Government/ semi Government/ Public sector.

TABLE NO. 5
CURRENT MONTHLY INCOME

Particulars	No. Of Respondents
Less than or equal to 25000/-pm	6
Between 25001/- and 50000/-pm	8
Between 50001/- and 75000/-pm	23
Between 75001/- and 100000/-pm	9
More than or equal to 100001/-pm	4

Source: Primary Survey

Monthly income of the respondents were classified among 4 groups. Majority of the respondents had a salary ranging between 50,001 and 75,000/- pm, 9 respondents had salary ranging between 75,001 and 1,00,000/- pm, 8 respondents had salary ranging from 25,001 and 50,000 pm, Respondent having salary of rupees 25,000 pm or less were 6. Only 4 respondents had salary more than or equal to 1,00,000.

TABLE NO. 6
LENGTH OF SERVICE

Particulars	No. Of Respondents
Up to 5 years	8
6 To 10 years	14
11 To 15 Years	13

16 To 20 Years	6
Above 20 Years	9

Source: Primary Survey

Respondents were also classified on the basis of length of service. Majority of 14 respondents had length of service from 6 to 10 years, Respondents having length of service 11 to 15 years were slightly less (13), 9 respondents were working for more than 20 years, 8 respondent had provided service up to 5 years. Minority of the respondent had a length of service from 16 to 20 years.

TABLE NO. 7
SAVING AND/OR INVESTMENT ALTERNATIVE THE RESPONDENTS HAVE INVESTED

Particulars	No. Of Respondents
Post office Saving Schemes (POMIS/NSC/KVP/PPF etc.)	30
Shares	08
National Saving Certificates/KVP	11
Real Estate	06
Insurance And Pension Plans	38
Mutual Funds	19
Debentures and Bonds	05
Precious Metals (Gold & Silver)	11

Source: Primary Survey

The major element of investments are savings. The respondents were asked about their savings and the avenues chosen for making investments. Out of the total respondents, majority (38) have invested in insurance and pension plans, 30 have invested in post office schemes (POMIS/NSC/KVP/PPF, etc.), 19 have invested in mutual funds, an equal number of respondents (11) have invested in national savings certificates/KVP and in precious metals (gold& silver), 8 have invested in shares, 6 respondents have invested in real estate and least number of respondents invested in debentures and bonds.

TABLE NO. 8
MAJOR FINANCIAL OBJECTIVES

Particulars	Very Low Priority	Low Priority	Neutral	High Priority	Very High Priority	Mean
1) Ensure a comfortable retirement	3	1	8	16	22	4.03
2) Provide for children education costs	5	NIL	10	17	18	3.86
3) Buy a house	11	9	8	10	12	3.06
4) Provide for children's marriage	17	8	14	5	6	2.5
5) Achieve high growth in investments	9	3	14	14	10	3.26
6) Protect income in case of death/disability	8	1	06	16	19	3.74

7) Ensure transfer of assets to dependents smoothly	5	5	13	9	19	3.7
8) Reduce income tax	10	4	12	13	11	3.22

Source: Primary Survey

The respondents were asked about their major financial objectives.

1) For ensuring comfortable retirement majority of the respondents (22) gave very high priority. 16 of the respondents gave it high priority. The number of respondents who had neutral opinion about it were 8. Only 1 respondent gave low priority for ensuring a comfortable retirement. 3 respondents gave very low priority to ensure a comfortable retirement. The mean score of ensuring a comfortable retirement is 3.08.

2) About providing for children education cost, most of the respondents gave it a very high priority whereas 17 respondents gave high priority. 10 were neutral about it. No respondents gave it a low priority. But 5 respondents gave very low priority to provide for children education costs. The mean score of providing for children education cost is 3.86.

3) Further they were asked about their objective of buying a house. Respondents had a mixed opinion about it. 12 of them gave it a very high priority whereas 11 respondents gave it very low priority. 10 respondents gave high priority for buying a house. The respondents gave low priority for buying a house were 9. 8 of the respondents had a neutral opinion. The mean score of buying a house is 3.06.

4) Respondents were also asked about their financial objectives of providing for children marriage. Majority of the respondents (17) gave it a very low priority. 14 respondents had a neutral opinion. 8 respondents gave it a low priority. 11 respondents had an affirmative opinion about it so 5 of them gave it high priority and 6 of them gave it very high priority. The mean score of providing for children marriage is 2.5.

5) Respondents were asked about financial objective to achieve high growth in investments. Majority of the respondents (14) had a neutral opinion about it. Exactly the same number of respondents gave it a high priority. Respondents who felt their major financial objective is to achieve high growth in investments were 10, so they gave it a very high priority. 3 respondents gave low priority to the objective, whereas 9 respondents gave it a very low priority. The mean score of achieving high growth in investment is 3.26.

6) About the objective of protecting income in case of death/disability, majority of the respondents (19) gave it a very high priority. 16 respondents also felt it is important so they gave it a high priority. 6 respondents had neutral opinion. 8 respondents gave the objective very low priority. Only a single respondent gave it a low priority. The mean score of protecting income from death/disability is 3.74

7) Further about the objective of ensuring transfer of assets to the dependents smoothly, majority of the respondents (19) gave it a very high priority. 9 respondents gave high priority to it. 13 had a neutral opinion about it. The respondents who gave the objective low priority were 5. Equal number of respondents gave it very low priority. The mean score of ensuring transfer of assets to dependents smoothly is 3.7.

8) About the objective of reducing the income tax it appears that majority of the respondents (14) have high priority to it. 12 respondents have a neutral opinion. 11 respondents gave it very high priority. 14 respondents did not felt that it was an important objective so 4 of them gave it a low priority and 10 gave very low priority. The mean of reducing income tax 3.22.

TABLE NO. 9
INVESTMENT DECISIONS

Particulars	Never	Seldom	Sometimes	Often	Very Often	Mean
1) Review your overall investment goals?	06	6	17	14	7	3.2

2) Assess your risk tolerance level?	5	5	15	17	8	3.36
3) Determine your return objective for the investment?	8	5	10	16	11	3.34
4) Consider variety of investment options?	6	9	16	9	10	3.16
5) check the current financial market condition	12	14	7	11	6	2.7
6) Talk with family / friends who are knowledgeable?	8	5	11	13	13	3.36
7) Consult with a financial advisor?	15	10	7	9	8	2.64
8) Assess marketability / liquidity of the investment?	15	11	11	8	5	2.54
9) assess the tax implications of the investment	9	5	14	14	8	3.14
10) assess the convenience with which the investment can be made, looked after and disposed	9	5	13	17	6	3.12

Source: Primary Survey

1) Respondents were asked before making specific investments decisions how often do they review their overall investments goal. Majority of the respondents said that they review their decision sometime. 14 of them were of the opinion that they review it often. 7 respondents gave lot of importance to review their overall investment goals and therefore review it very often. 6 respondents did not felt it was necessary to review their overall investment goals. Exactly the same number of respondents said that they rarely review it their overall investment goal. The mean score of reviewing overall investment goal is 3.2.

2) Respondents were asked if they assessed their risk tolerance level while making specific investment decisions. Most of the respondents said they often do the assessment. 15 of them said they only do the assessment sometimes. The number of respondents who assess their risk tolerance level were 8. 5 of the respondent's rarely assess their risk tolerance level and 5 of them did not found it necessary to assess the risk tolerance level so they never assess it. The mean score of assessing risk tolerance level is 3.36.

3) Further the respondents were asked how often they determine the return objective for the investment. Majority of them (16) said they often do it. 11 of the respondents found it necessary to determine the return objective for the investment. So they determine it very often. 10 respondents said they sometimes determine the return objective. Number of respondents who never determine their return objectives for investment were 8. five respondents said that they rarely determine their return objective for the investment. The mean score of determining the return objective for the investment is 3.34.

4) When the respondents were asked whether they considered variety of investment option .majority of them (16) said they sometimes do so. 10 were of the opinion that they very often considered variety of investment option. The respondents who rarely or often considered variety of investment option were 9 each. 6 of the respondents said they would never consider variety of investment options. The mean score of considering the variety of investment options is 3.16.

5) Respondents were also asked if they check current financial market conditions. Out of 50 some of the respondents (12) said they never check. Majority of respondents (14) said they rarely check.11 others check the market often. 7 of the respondents said they check sometimes and remaining 6 said they check quite often. The mean score of checking the current financial market condition is 2.7.

6) Respondents were asked if they talk with family/friends who are knowledgeable. Majority of the respondents (13) said that they very often do so. Equal number of respondents said that they often do so. Respondents who said they sometimes talk with friends/family were 11. 5of them rarely talk to friends/family. 8 of the respondents felt that it was not necessary to talk with friends/family who are knowledgeable. The mean score of talking with family/friends who are knowledgeable is 3.36.

7) Respondents were asked before making specific decision how often do they consult with a financial advisor. Most of the respondents (15) said they never consult financial advisor. 10 respondents said that they rarely did so. 9 respondents said that thy very often consult financial advisor same number of respondent said they often take consultancy services. 7 of the respondents said they sometimes take suggestion financial advisor. The mean score of consulting with the financial advisor is 2.64.

8) Respondents were asked if they assess marketability/liquidity of the investment before making specific investment decisions. Majority of the respondents (15) said they never assess the marketability/liquidity of the investment. 11 respondents said they sometime do the assessment. Equal number of respondents said they rarely do the assessment. Respondents who felt it is very important to do the assessment were 13 so 8 of them often do the assessment, while 5 respondents said they very often do the assessment. The mean score of assessing marketability/liquidity of the investment is 2.54.

9) Further respondents were asked before making specific investment decisions if they assess the tax implications of the investment. Majority of the respondents (14) said they sometimes assess their investment. Exactly the same number of respondents said they often do the assessment. 8 respondents said they very often did the assessment of tax implications. Very few (5) respondents said they assess the tax implication of the investment. A total of 9 respondents said before investing they never assess the tax implications. The mean score of assessing the tax implications of the investment is 3.14.

10) Lastly the respondents were asked if they assess the convenience with which the investment be made, looked after and disposed. Majority of the respondents (17) said they often do the assessment. Also 6 respondents said they very often do so. The respondents who said they sometimes do the assessment were 13. 9 respondents did not felt it was necessary to assess the convenience with which the investment can be made, looked after and disposed. So they never did the assessment. Very few respondents (5) said they rarely do the assessment. The mean score of assessing the convenience with which the investment can be made, looked after and disposed is 3.12.

Table Number 10

FINANCIAL LITERACY

Particulars	Very Low	Quite low	Average	Quite High	Very high	Mean
Financial worth	6	6	21	12	5	3.08
Disposable income	8	9	19	7	7	2.92
Numeracy	15	8	20	5	2	2.42
Interest Compounding	6	8	20	10	6	3.04
Inflation	7	7	21	9	6	3
Time value of money	6	4	19	10	11	3.32
Functioning of Stock market	13	10	19	7	1	2.46

Risk-return trade off	19	8	16	5	2	2.26
Asset Allocation	12	12	14	9	3	2.58

Source: Primary Survey

The respondent were asked about their overall knowledge about some of the financial terms.

1) About the term financial worth majority of the respondent (21) said they have average knowledge about it. 12 respondents had quite high knowledge about their financial worth. 6 respondents had quite low knowledge about the same. Exactly same number of respondents said they had very low knowledge about the term. To the contrary 5 respondents had very high knowledge about their financial worth. The mean score of about the financial worth is 3.08

2) About the term disposable income majority of the respondent (19) had average knowledge about the term. 7 respondent had quite high knowledge about the term. Equal number of respondents had very high knowledge about disposable income. Knowledge about the disposable income of 9 respondents was quite low. 8 respondents had very low knowledge about the term. The mean score of disposable income is 2.29.

3) When asked about the numeracy most of the respondents (20) had average knowledge about numeracy. The respondent having very low knowledge about the term were 15. Also 8 respondent had quite low knowledge. 5 respondent had quite high knowledge about the term numeracy only 2 respondents had very high knowledge. The mean score of the term numeracy is 2.42.

4) About the knowledge of the term interest compounding 20 respondents had average knowledge. 10 respondents said their knowledge about interest compounding is quite high. On the contrary 8 respondents had a quite low knowledge about compounding interest. 6 respondents had very low knowledge about the term whereas other 6 respondent had very high knowledge. The mean score of the term compounding interest is 3.04.

5) Further knowledge about the term inflation, majority of the respondents (21) had average knowledge about the term, 9 respondents had a quite high knowledge about the term inflation, Respondents having very high knowledge about inflation were 6, 7 respondents said they had quite low knowledge about inflation, equal number of respondents had very low knowledge about the term. The mean score of the term inflation 3.

6) About the knowledge of time value of money majority of the respondents (19) said that they had a average knowledge about it. 10 respondents said that they have quite high knowledge. Also 11 respondents said their knowledge was very high about the time value of money. Respondents who said they had very low knowledge were 6. Remaining respondents ss(4) said their knowledge was quite low about the term. The mean score of the term time value of money is 3.32.

7) The respondents were asked about their knowledge on functioning of stock market. In this most of the respondents (19) said they had average knowledge about their term. 13 respondents said their knowledge was very low about functioning of stock market. 10 respondents also said that they have quite low knowledge of the term. 7 respondents said their knowledge as quite high about the term. Only 1 respondent had very high knowledge about the functioning of stock market. The mean score of the term functioning of stock market was 2.46.

8) About risk return trade off majority of the respondents (19) said they had very low knowledge about the term. 16 respondents said they had average knowledge about risk return trade off. 8 respondents said they had quite low knowledge of the term. 5 respondents said they had quite high knowledge of the term. Only 2 respondents said their knowledge was very high about risk return trade off. The mean score of the term were 2.26.

9) About the knowledge of financial term asset allocation most of the respondents (14) said they had average knowledge about the term. 12 respondents said their knowledge about asset allocation was very low. Equal number of respondents said their knowledge as quite low about the term, whereas 9 respondents had quite high knowledge of the term and only 3 respondents had very high knowledge of asset allocation. The mean score of the term asset allocation was 2.58.

CONCLUSION

The first objective was to study the investment alternatives the school teachers invest in and accordingly the following conclusion was drawn.

1. Majority of the respondent said they invest in insurance and pension plans. Saving schemes such as (POMIS etc.) is also chosen by many respondents. Another alternative in which the respondents were interested in, was mutual funds.

2. Where as in investment such as shares, real estate, debentures and bonds, respondents were least interested.

3. It is quite evident from the survey that teachers show more interest in investments which are safe.

4. Investment such as shares, debentures and bonds, where the risk is high the teachers are disinterested in it.

5. Awareness about investments such as mutual funds has increased the number of investments in it.

The second objective of the study was about the major financial objectives that school teachers choose and accordingly the following conclusion was made.

1. Here insuring a comfortable retirement received the highest mean score of 4.06, which means majority of the teachers feels the objective of ensuring comfortable retirement is of utmost importance.

2. Financing for children's education costs is another major financial objective of teachers as it has the mean score of 3.86 out of 5. Also to handle the emergencies such as death/disability is given high importance as it has quite high mean score of 3.74.

3. Ensuring transfer of assets to dependents smoothly received the mean score of 3.70 which shows the objective has been seen as a significant one.

4. Objectives such as buying a house reducing income tax and achieving high growth of investment was given average preference among the objectives. It received mean score of 3.06, 3.22 and 3.26 respectively.

5. Only the objective of providing finance for children's marriage received a mean score of 2.5

6. Hence it is clear that least importance given to the objectives of providing for children's marriage.

The third objective of the study was to measure the level of financial literacy among school teachers and following conclusion was drawn.

1. It is clear from the table that majority of the teachers were familiar with the term time value of money. As it received highest mean score of 3.32 out of 5.

2. The financial term such as disposable income and interest compounding, the overall knowledge was average. The mean score of both the terms was 2.92 and 3.04 respectively. Another term which seems to be of average knowledge is inflation. It has score of exact 3.

3. The ratings to the term such as functioning of stock market and asset allocation is less that is 2.46 and 2.58 respectively. This shows the overall knowledge about these two terms is low.

4. The knowledge about the term risk return trade-off is least as it received lowest mean score of 2.26 out of 5.

5. From the study it is clear that knowledge about most of the terms is below average hence the financial literacy is low among respondents.

Summary of the conclusion

On the basis of the study it can be noted that the school teachers are more interested in investing their money in investments which are safe in nature such as post office saving schemes, national savings certificate than the one which are risky in nature like shares, debentures and bonds. Ensuring comfortable retirement and financing children's education cost was their major financial objective. The knowledge about the financial terms such as financial worth and time value of money is high but about the terms such as risk return trade-off is low. The overall financial literacy seems to be average.

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