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AN INVESTIGATION OF THE LEVEL OF FINANCIAL LITERACY AMONG THE MAURITIAN POPULATION

Abstract:

This study investigates the degree of financial awareness and literacy in Mauritius. A survey was conducted to find out about the population's understanding of financial products, investment alternatives, borrowing, saving, investing, and financial abilities. The population's degree of savings knowledge is high, whereas their understanding of general finance, investments, and insurance is low to average, according to the study's conclusion. This study also looks into the population's financial literacy and awareness as well as the steps that the appropriate authorities should take to make sure that people are taught not only how to budget and save money but also how to invest in assets, protect their finances, and—most importantly—how to manage their money sensibly by forming good financial habits.

Keywords:

Financial Literacy, Population, Awareness, Mauritius.

1. Introduction

Investment in finance permits individuals, institutions and the economy to boost welfare in a country, this aim can be attained with the proper investment decisions. Investment accuracy decisions is evaluated by adequate knowledge, capabilities and skills in the domain of financial literacy. Presently, skills in global financial literacy skills are limited. Moreover, financial investment decisions are impacted by financial awareness. Financial awareness allows individuals with knowledge and confidence towards administering resources in finance with efficiency and effectiveness. Yet, research on financial awareness are still scant in emerging markets.

The distress of poor financial literacy level among the society have been discerned by the Government specifically in developing countries. Consequently, individuals have keen interest on matters linked to personal finance (Manu, 2022). Investment is referred to as the commitment of actual financial resources so as to attain elevated future gains (Capital Market Authority, SA). To be more precise, people have a knowledge of finance when they have information about this matter, financial instruments and securities (Manu, 2022).

1.1 Financial literacy in Mauritius

Mauritius has one of the highest literacy rates in Africa at 93% (UNESCO, Institute for Statistics, 2022). Presently, Mauritius has a financial literacy rate of only 39 % in comparison with countries such as Denmark, Norway and Sweden with the highest financial literacy rate at 71%. These countries implement finance conversation in schools from a young age (Investors Magazine, 2023). Furthermore, 1 in 3 adults held a credit card amounting over Rs 3 billion in debt in 2019. Presently, through the launch of its 2022 Financial Literacy Strategy, the Bank of Mauritius is promoting financial literacy and education.

Most of the studies on financial literacy were carried out in developed markets and the researchers emphasized only on basic financial knowledge (Lusardi and Mitchell, 2011). However, a few researchers have focused on awareness of basic financial concepts in developing markets (Ahmed *et al.,* 2019; Chu *et al.,* 2017). Research in Mauritius on Financial literacy have been conducted by Jawaheer *et al.* (2016) and Boolaky *et al.* (2021). In other words, the originality of this paper is based on the analysis of how financial literacy has an impact on investment decisions from the perspective of university students. This study provides an investigation of financial education and awareness of the population and the measures that the relevant authorities should take in order to ensure that they are not only aware of budgeting and saving money, but also learn about investing in assets, financial protection and more importantly learn how to manage money wisely by making use of sound financial habits. Mauritius has faced several financial crises because of lack of financial education and awareness among the majority of the populations. Hence, the recommendations of this paper will contribute to the vision of the government to transform Mauritius into a safe and stable country as regards to investment, and hence ensure economic prosperity. This will provide a safe and stable investment environment. In addition, this paper will ensure that adequate knowledge on financial education and awareness are provided to the population in different forms in order to have a financially educated society.

Hence, the objectives of the study are given as follows:-

- To investigates the level of financial literacy and awareness among the population;

- To ascertain the main measures that the relevant authorities in Mauritius should consider so as to promote learning in asset management and investment, financial protection and specifically money management;

- To provide recommendations contributing to the vision of the Government to transform Mauritius into a safe and stable investment platform.

This paper consists of five sections. Section 2 is focused on the literature review. Section 3 describes the methodology of the paper and Section 4 reports the estimates, analysis and discussions. Further, Section 5 reflects on the conclusion and policy implications of the study.

2. Literature Review

The concept of financial literacy has emerged since 1787 and the developments regarding the meaning of the financial literacy is still in progress. OECD/INFE (2018) denotes financial literacy as "*a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being".*

Financial awareness is becoming more important nowadays. It is not only for investors, but also for individuals in the economy. Financial awareness enables individuals with knowledge, skills and confidence towards managing their financial resources efficiently and effectively. In addition, it could foster the culture on the repayment of loan and promote a stable financial system when the individuals were aware of the significance of loan repayment and the outcome of default (Shyamba & Kevin, 2015).

Investment refers to the commitment of current financial resources so as to achieve higher gains in the future (Capital Market Authority, SA). Ultimately, people have a notion of finance when they hold information regarding finance, financial instruments and securities (Manu, 2022). Concurring with the study, decision to invest focusses on the odds to commit current funds or resources into a portfolio with expectation of future returns to compensate for time, inflation and uncertainty (Barton, 2016).

2.1 Factors influencing financial literacy on investment behavior

As per the study of Kumari (2020), the factors impacting on financial literacy on investment behavior are described as follows:-

Knowledge about Financial Products and Investing Behaviors

Knowledge about financial products has become a necessity specifically for saving for retirement. Without this notion, it becomes difficult to take complex investment decisions. Capuano and Ramsay (2011) defines Financial literacy as it permits people to make the best use of financial products and invest without waste or experiencing unnecessary costs.

Knowledge about Investment Options and Investment Decision

In order to make informed decisions about a specific investment, it is crucial that investors have a certain knowledge about a range of information to be able to analyse and monitor the performance of different investment options. Further, individuals and corporate investors should have the appropriate knowledge about investment strategies, investment fees, investment portfolio, expected risk and return.

- **Student's Basic Money Management Behavior and Investment Decision**

Kumari (2020) related that financial literacy positively and significantly impacted on the undergraduates" investment decisions. Additionally, when it focused on the dimensions of financial literacy, the most significant dimension was financial skills. The knowledge about the financial product is identified as the least significant dimension on investment decision of the undergraduates.

Financial Skills and Investment Decision

Financial skills refer to the capacity to utilize the knowledge of financial services in financial literacy. Roy and Jane (2018) mentioned that when people become more experienced in financial matters, they increasingly become financially sophisticated and it is anticipated that individual become more financially competent and wise.

Improving Usage of Financial Products and Investment Decision

Ameliorating financial literacy through education programs has become a tremendous issue since a lack of financial literacy has been recognized as one of the aggravating determinants of the global financial crisis (Gallery & Gallery, 2010). The main issue is focalized on the knowledge gaps that persist about vital linkages between the utility of financial products, education and behavior.

3. Research Methodology

The purpose of the study is to investigate on the impact of financial literacy and awareness among the population. The study employs stratified random sampling technique. The paradigm for constructing the questionnaire on financial literacy and awareness is referred to the concept and measurement applied by Kumari (2020) and Manu (2022). A descriptive analysis is conducted for the study.

Conceptual Framework

The conceptual framework of the study is as follows: the dependent variable is investment decisions whereas the independent variables is composed of knowledge of financial products, knowledge about investment options, population's Basic Money Management Behavior, Financial Skills and Improving Usage of Financial Products.

3.1 Variable Measurement

The variables were analyzed employing a likert scale measurement. For instance, investment decision, knowledge on financial products, investment options, money management and use of financial products were measured through this likert scale measurement: For this measure- (1) Strongly disagree, (2) Disagree, (3) Neutral (4) Agree (5) Strongly Agree: Measured on a scale of 1-5. Financial skills were measure a statement involving 17 options.

4. Results and discussion

4.1 Investment Decisions

Estimates stipulated that the types of investment performed by the respondents are as follows: Savings 90.4%, pension plan 4.8%, insurance 2.4% and real estates and government bonds have both 1.2% significance. Further, the study confirms that 71.1% of respondents spend around Rs1000- 3000 on investments, 14.5% Rs3001- 6000, 4.8%- Rs6001-9000, 1.2%- Rs9001- 12000 and 8.4% above Rs12,000.

4.2 Regression Analysis of Study

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.093	1.260		0.074	0.941
FLA	0.223	0.047	0.492	4.795	0.000
KFP	-0.149	0.080	-3.521	-1.862	0.066
KFIO	0.145	0.081	3.390	1.793	0.077
IFP	3.578E-05	0.149	0.000	0.000	1.000

Table 1: Regression Estimates of study.

Table 1 reports the regression estimates of the study which are given as follows:-

- **Financial literacy and awareness**

The study indicates that there is a positive significant impact between financial literacy and awareness at 1% significant level. Based on the survey provided, it was seen that the following statements: **"Financial awareness prevents you from being victimized by financial scams" and "Financial awareness helps you to form health spending habits that lead you to have financially secured life";** were the most strongly agreed by the respondents. Respondents can invest if they have the appropriate information about financial products from banking. Therefore, the more awareness about financial products is heeded as a form of security and insurance for the future and protect them against catastrophic risk (Manu, 2022).

- **Knowledge of financial products**

The respondents accessing financial products are negatively significant on their investment decision. In other words, not all the respondents have an adequate knowledge of financial products and is considered to have a less impact on investment decision. Meanwhile, respondents are aware of some of the financial products by following courses namely economics (55.4%), money management (30.1%) and through life experiences (32.5%). Further, respondents that have working experiences have better knowledge of financial products because they have the ability to invest and make any adequate acquisition of assets (Kumari, 2020).

- **Knowledge about investment options**

The study found that there is a positive significant association between knowledge on financial investment option on investment decisions. Respondents have a notion of investment options regarding return and risk of stocks (55.4%) and bonds (16.9%), loans. In other words, the higher the level of education and knowledge of investment options comprising of risk management, return, assessment of depreciation and time value of money of assets will enhance the probability to invest. The findings are in accordance with Kumari (2020) and Manu (2022).

- **Money management**

The study revealed that finances are mainly taught by parents that is 41% respectively. 37.3% of the respondents stipulated that financial matters were conversed openly allowing them to understand better the management of money. Further, life experiences (54.2%) and jobs (41%) were the main factors that helped respondents to grasp the aspect of money and finances in a practical manner. The other remaining features being considered as essential are “Being honest in all dealings- 44.6%, Savings- 43.4% and Parents- 42.2%).

- **Financial Skills**

Estimates posited that financial skills are crucial specifically to compare prices before the purchase of any assets or simple items (45.8%). On the second position, financial skills are vital when reading apartment, houses leases or any other relevant contract before the signature of any potential document (28.9%); contribution of an investment account (38.6%) and Budget and track spending (31.3%).

- **Improving usage of financial products**

The study stated that 9.6% of respondents are satisfied with the financial products offered to them whereas 84.6% were somewhat satisfied with their services. Nonetheless, to be able to improve the usage of financial products, it is suggested to offer new features (39%) that could encourage the employment of financial products among the population. Secondly, the use of social media

(37.8%), appropriate interest rates (12.2%) and appropriate bank charges (11%) were the main features that could encourage the use of financial and investment products.

5. Conclusion

The purpose of the study was to evaluate the level of financial literacy and awareness as per population's perspective. The study deduced that respondents' knowledge in finance literacy, respondents' level of knowledge in savings is high whereas their knowledge in general finance, investment and insurance are low to average. Conversely, some of the respondents who are working have better knowledge of financial literacy and awareness and might employ their knowledge to conduct important financial decision-making and investment decision making compared to those who are not working. The study found that respondents who have to make decisions associated to money management have more financial literacy knowledge than those who do not have to make various decisions related to money management in areas which face daily expenses. Moreover, respondents with at least a personal account or an investment account are financially literate than those without any of them. The findings confirmed that the respondents accessing financial products are negatively significantly on their investment decision. In other words, some of the respondents have a fair knowledge of financial products and is considered to have a less impact on investment decision. Finally, the study found that the higher the level of education and knowledge of investment options including risk management, return, assessment of depreciation and time value of money of assets will likely boost the probability to invest (Manu, 2022). To improve the usage of financial products, it is recommended to offer new features that could encourage the employment of financial products among the population. Secondly, the use of social media, appropriate interest rates and appropriate bank charges were the main characteristics that could promote the use of financial and investment products further.

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