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Abstract

This article argues that financial literacy needs vary within an income level as well. Consider two people of equal income, one a small business operator and the other a tradesperson. For their personal or household maintenance, their financial literacy needs might be quite similar. However, with respect to their working lives, the small business operator's financial literacy needs are likely more elaborate than those of the tradesperson. To successfully operate a small business, the operator requires knowledge of balance sheets that the tradesperson may not need.

neighborhoods, ns by explaining important structural qualitative field

research undertaken in three Canadian inner cities, it then moves to examine low-income respondents' financial literacy. The results show that many low-income respondents evidenced financial literacy in that many learned to cope with strict budgets, used diversified activities to raise their income, constrained their credit, and were reasonably knowledgeable about relevant government programs and banking services. Where particular constraints were noted in financial literacy, they related to detailed knowledge about institutional policies and attitudes about deeper financial and life goals.



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1. Financial literacy needs vary within an income level as well. Consider two people of equal income, one a small business operator and the other a tradesperson. For their personal or household maintenance, their financial literacy needs might be quite similar. However, with respect to their working lives, the small business operator's financial literacy needs are likely more elaborate than those of the tradesperson. To successfully operate a small business, the operator requires knowledge of balance sheets that the tradesperson may not need.

- 2.
2. Consumer theory can be adjusted through tastes so that consumption becomes satiated at some point. However, this is not commonly assumed in economic theory.
- 3.
3. Thaler and Sunstein (2008) argue behavioral economics insights call for “libertarian paternalism” and government policies that induce more self-interested behavior.
- 4.
4. Informal learning is embedded “in our everyday activities, whether we are at work, at home, or in the community, and lacking institutional sponsorship, adults rarely label these activities as learning” (Merriam, Caffarella & Baumgartner, 2006, p. 35). It is the act of “spontaneous, unstructured learning that goes on daily in the home and neighborhood . . . in the workplace, marketplace” (Coomb, 1985, p. 92, cited in Merriam et al., 2006, p. 35).
- 5.
5. For a full analysis of this survey and the questionnaire for the Financial Choice Survey, see Buckland and Fikkert (2008).
- 6.
6. For a full analysis of this survey and the questionnaire, see Fikkert (2008).
- 7.
7. This is a 24-page survey questionnaire made up of four sections: Section I contains questions about social and economic background of the participant (including questions about family size, housing, income and employment), Section II has questions about the types of financial services used by the participant (including frequency of use and service fee), Section III contains questions about the participant’s past and future planned spending, and Section IV has questions about the respondent’s views about a variety of issues to do with financial services. For the full survey questionnaire, see Buckland and Fikkert (2008).
- 8.
8. Low-income cutoffs (LICOs) are a threshold below which a household is likely to spend a disproportionate amount of its income on basic necessities. LICOs vary by household size and type of community in which the family is resident. It is determined by estimating the income level at which households are likely to spend 20% more on necessities than the average Canadian household (Statistics Canada, 2006). LICOs (for 2005) for the largest community (> 500,000 people) for a one- and two-person household are Can\$20,778 and Can\$25,867, respectively.
- 9.
9. One argument is that because lenders lack information about borrowers (information asymmetry), they pursue a nonmarket means to allocate credit (Stiglitz & Weiss, 1981). This is done by lowering their interest rate and then rationing out the cheap credit to their best customers.

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