

FINANCIAL LITERACY AMONG COLLEGE STUDENTS IN ERNAKULAM DISTRICT

1. Sreeja A

Assistant Professor (Head of Department)

Department of Commerce

NSS College Cherthala, Alappuzha Kerala.

2. Sreeraj N R

Guest Lecturer

Department of Commerce

NSS College Cherthala, Alappuzha Kerala.

Abstract

Financial literacy is basically the ability of an individual to understand of the basic functions of money and markets. It is the process by which individuals gain an understanding of their financial situation and learn how to strengthen it over a period of time by inculcating the financial habits of savings, budgeting, planning and hence making the right financial decisions. Financial literacy is very important now a days for each individual to take basic financial decisions. The main objective of this study is to assess the financial literacy among college students in Ernakulam District. The data for this study is collected through primary source with the help of well- structured questionnaire using systematic random sampling technique. The data has been collected from 120 respondents. SPSS is the tool used to analyse the data. The study shows that there is a significant difference between the financial literacy among college students in Ernakulam. It is found that it is the females who has a better level of financial knowledge than the males. The study concludes that the financial literacy is essential for taking sound financial decisions and for which imparting of financial education among college students is of utmost importance. The study can act as guideline for the banks, NBFC's and policy makers for understanding the role of financial literacy among the college students.

Keywords- Financial literacy, Money, SPSS, Financial knowledge, Financial decisions, NBFC

INTRODUCTION

Financial literacy is the application of knowledge and skills to use financial resources efficiently in individual's life for their financial wellbeing. The financial literacy of an individual determines the ability of that person to take appropriate finance decisions like savings, funding, budgeting, planning etc. Financial literacy skills helps individuals to make better financial decisions about their money and minimise the chances of risks associated with investing and spending. Financial Literacy is a fundamental knowledge that everyone needs in order to attain financial wellbeing. Obtaining financial knowledge from various sources will help individuals to manage their financial needs. If an individual is able to efficiently manage their finance issues it will ultimately lead them to achieve financial wellbeing. Financial wellbeing can play a pivotal role in the welfare of individuals in a household, society, nation and the world at large.

In the present scenario it is very important for college students to gain financial knowledge along with their subject knowledge as college student too enjoy much greater freedom regarding their consumption decisions. Over the past two decades, both developed and developing countries have become increasingly concerned about the level of financial literacy and knowledge of their citizens particularly among youngsters. Acquiring financial skills will enable students to effectively manage their finance issues. It can help them in formulating financial plans, proper management of funds, creating savings etc. In a nation like India where 60 % are in the age group of 18-23 there is a constant needs to have a better financial knowledge among the college, so that the optimum use of funds can be made. The financial literacy will help the students in understanding the financial products available, risks associated, and helps in developing the skills and confidence to become more aware of financial opportunities and to take effective actions to improve their financial well-being. The financial education is imperative in providing familiarity and understanding of different products available in financial market. This familiarity can also help the students to suggest their parents in their management of funds, so that a better utilisation of funds can be made. This could contribute to improved financial decision making, and that these decisions could, in turn, have positive effects not only on households but also on economic and financial stability of a country more generally.

STATEMENT OF THE PROBLEM

In India the level of financial literacy is cause of concern in all sectors of the economy. The financial literacy of people in India cannot be matched with the global average. The determination of financial literacy of college students in India is very critical because today's students can be tomorrow's investors. The Government of India is consistently implementing economic reforms in the country in order to compete with the global world. Here is the need of studying financial literacy of college students as there is a tenet that the Indian teenagers lack financial literacy. The development of every economy depends on healthy savings and proper allocation of funds. For that there is a constant need for good financial knowledge among the citizens of the nation. That proper allocation is dependent upon the financial literacy and skills that the individual have. Good financial knowledge will contribute to better savings. The awareness of various investment avenues, the preferences in investing, consideration of the opinion of friends and family members, financial position of family can all affect the financial literacy of a person. These factors may vary from one person to another. Participation of students in various classes should also be taken into consideration. Apart from the above factors, there are demographic factors which influence the financial literacy. This article discusses financial literacy of college students in Ernakulam District in various dimensions.

LITERATURE REVIEW

Beal and Delpachitra conducted a study regarding the financial skill among the college students in Australia. The study shows that there is a lack of financial skills and knowledge among the students with regard to their demographic characteristics. It do reflect in their spending and consumption adversely. The study suggest that the government needs to focus on education and needs to evaluation and monitoring of national education programs and other initiatives, would help in achieving better financial knowledge among students.

Chen and Volpe conducted a financial literacy survey to determine the relationship between literacy and the students financial skills. They found that those female students had lower levels of knowledge and the work experience of the students have an impact on their financial knowledge.

Bhattacharjee (2014) empirical examined financial literacy and the factors associated with it in Barpeta district of Assam. The study came with the findings that, the majority had only basic knowledge about saving account and basic financial instruments like life insurance policies, public provident fund and national saving certificate. The knowledge pertaining to financial market instruments, capital market, mutual fund were found low.

Meimouneh et al (2014) studied the influence of demographic factors on the financial literacy level of University students in Iran. The result showed that gender, age, marital status, employment status, education and financial independence exerted statistically significant effect on financial literacy of University students

Jeyaram & Mustapha (2017) examined the relationship between financial literacy and demographic factor of university students in Malaysia. The results showed that students studying accounting and business administration found to have a better financial literacy than students in other branches. It was also found that there is a relationship between gender and level of financial literacy, as female students found to have lower levels of financial literacy than males.

SIGNIFICANCE OF THE STUDY

The present study on financial literacy of college students is studied on various dimensions .In this study the researcher has taken into account nearly all the factors which an individual takes into consideration at the time of taking a financial decision. During the literature study it was found that there are only limited studies were conducted in India based on the financial literacy of college students as the concept is relatively new. Therefore, an attempt has been made by the researcher to study the level of financial literacy of college students because determination of financial literacy and skills of college students in India is very critical because today's students can be tomorrow's investors. This study also identified areas where financial literacy is lacking. The identification of these critical areas will assist

Government, regulators and financial institutions to redesign the financial planning courses that would help the students in achieving greater financial freedom which will help in the capital formation of the economy.

SCOPE OF THE STUDY

The scope of the study is restricted to Ernakulam District only. In this study the researcher has evaluated the awareness level about the financial literacy and the factors associated with it. The findings of the study and conclusion drawn are based on the analysis of the information collected through the questionnaire.

OBJECTIVES OF THE STUDY

1. To study the socio-economic status of college going students in Ernakulam District
2. To evaluate the financial literacy of college going students in Ernakulam
3. To determine the financial knowledge of college going students in Ernakulam
4. To determine the financial attitudes of college going students in Ernakulam
5. To determine the financial behaviour of college going students in Ernakulam

RESEARCH METHODOLOGY

The study is both descriptive and analytical in nature. The data have been collected through primary sources. The primary data have been collected through a well-structured questionnaire using systematic random sampling technique. A total sample of 120 students from 3 Aided colleges and 2 Government colleges in Ernakulam Region, Kerala were selected for the study. The colleges in Ernakulam for this study are selected through lottery method and the final respondents are selected through systematic sampling method. The study used likert scale for analysing financial literacy by dividing the financial literacy into three parts: financial knowledge, attitude and behaviour. The statistical tools used in this study are Mean comparison, ANOVA, Correlation and Regression.

LIMITATIONS OF THE STUDY

1. The study is limited to only Ernakulam District of Kerala. Hence the results cannot be generalized to greater extent in terms of their applicability.
2. The sample is only 120 and the opinions of the respondents may not synchronize with the opinions of the entire population.
3. The opinions / preferences expressed by the respondents are purely personal and they are subjected to individual bias in their nature.

ANALYSIS AND INTERPRETATION OF DATA

Socio-demographic profile of respondents

Variables	Category	No of Respondents	Percentage
Gender	Male	51	42.5
	Female	69	57.5
Age (in years)	18-21	48	40
	22-24	72	60
Residence	Rural	47	39.2
	Semi-urban	54	45
	Urban	19	15.8
Family Monthly Income	Less than 10000	17	14.2
	10000-20000	26	21.7
	20000-30000	49	40.8
	30000-40000	28	23.3
Field of Study	Arts	23	19.2

	Science	52	43.3
	Commerce	45	37.5
Academic Standing	UG	62	51.7
	PG	58	48.3
Part time job	Yes	17	14.2
	No	103	85.8

Descriptive statistics on financial knowledge

Statements	Mean	Std. Deviation
Knowledge of Interest Calculation	3.8750	1.23372
Knowledge of Inflation	3.7833	1.40338
Knowledge of investment alternatives	3.7750	1.15564
Knowledge of Value of Money	3.7417	1.17749
Knowledge of Financial Worth of family	3.5333	1.34685
Knowledge of Return over time	3.1000	1.18393
Knowledge of Cost of Finance	2.8750	1.31291
Knowledge of importance of Compound Interest	2.6333	1.68000
Knowledge of investment of parents	2.5500	1.63394
Knowledge of Risk Diversification	2.4917	1.10762
Overall Score	3.2358	.58220

The study shown that the respondents have a good knowledge regarding the calculation of bank interest with a mean score of 3.875 and the area where they lack knowledge is regarding the risk diversification, as it had shown a moderate mean score of 2.4917 which is a low score when it is compared with the other statements. The overall mean score obtained is 3.2358 which shows that the respondents has a moderate-good financial knowledge which is commendable.

Mean comparison of Financial knowledge and Gender

Gender of employee	Mean	N	Std. Deviation
male	3.0784	51	.61946
female	3.3522	69	.52793
Total	3.2358	120	.58220

The analysis shows that it is the female respondents who had a better financial knowledge than the male respondents

Independent Samples Test- Financial knowledge and Gender

Testing of Hypothesis-1

Null hypothesis- There is no significant difference between Financial knowledge and Gender of students

Alternative hypothesis - There is a significant difference between Financial knowledge and Gender of students

		fin_knowledge	
		Equal variances assumed	Equal variances not assumed
Levene's Test for Equality of Variances	F	.943	
	Sig.	.334	
t-test for Equality of Means	t	-2.607	-2.546
	df	118	97.445
	Sig. (2-tailed)	.010	.012
	Mean Difference	-.27374	-.27374
	Std. Error Difference	.10498	.10753
	95% Confidence Interval of the Difference		
	Lower	-.48164	-.48715
	Upper	-.06585	-.06033

From the table it is clear that gender has a significant influence in the financial knowledge. The p-value of Education type is 0.010 which is less than 0.05. Therefore the null hypothesis is rejected and alternative hypothesis is accepted. That is there is a significant difference in financial knowledge based on the gender of students.

Mean comparison of Financial knowledge and Education type

Field of Study	Mean	N	Std. Deviation
Arts	2.8783	23	.54769
Science	3.2615	52	.56052
Commerce	3.3889	45	.55768
Total	3.2358	120	.58220

The above table shows that it is the students from commerce stream who has a better financial knowledge when compared with students in other streams

ANOVA- Financial knowledge and Education type

Testing of Hypothesis-2

Null hypothesis- There is no significant difference between Financial knowledge and Education type

Alternative hypothesis - There is a significant difference between Financial knowledge and Education type

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.029	2	2.015	6.492	.002
Within Groups	36.307	117	.310		
Total	40.336	119			

From the table it is clear that Education type of the students has a significant influence in the financial knowledge. The p-value of Education type is 0.002 which is less than 0.05. Therefore the null hypothesis is rejected and alternative hypothesis is accepted. That is there is a significant difference in Education type of the students in respect of financial knowledge.

Descriptive statistics on financial attitude

Statements	Mean	Std. Deviation
I set financial goals for future	3.8083	1.18319
I buy goods after comparing with substitutes	3.5250	1.12990
Proper management of personal finance is desirable to everyone	3.4750	1.18082
I am willing to spend money on those things which are important to me	3.4750	.96111
Always have a pain while spending	3.4000	1.11068
Spend less today and save more for tomorrow	3.2583	1.21956
Use card mode for payment than cash mode	3.0583	1.41002
Money is there to be saved than spent	2.4500	1.20817
Overall Score	3.3063	.49229

Regarding the financial attitude it was seen that respondents tends to set their financial goals for future. A good number of respondents do have a habit of comparing products with substitutes, so that they would be able to buy the products at a lower cost. In the analysis it was also seen that most the respondents prefer using cash mode than card mode as the statement regarding the use card mode for payment than cash mode received a mean score of 2.45, which is lower compared with other statements. And regarding the savings habit statement it got the lowest mean score as majority does not support the view of money is there to be saved as they give more prominence to spending than savings.

Descriptive statistics on financial behaviour

Statements	Mean	Std. Deviation
I only buy low cost products	3.9417	1.13978
I prefer timely payment of my bills	3.6833	.74454
I prefer to invest in low risk avenues	3.2917	.89251
I regularly prepare a budget with my expenses and revenues	3.1417	1.28531
I spend according to plan	2.7917	.88779
I keep financial records for future	2.7750	1.01636
I choose financial products after gathering some information	2.7583	.96141
I never look on luxury goods	2.6583	1.39324
I participate in financial decision of family	2.3750	1.30971
I participate in Financial Literacy Programmes	2.2417	1.03709
Overall Score	2.6883	.34009

The above table based on financial behaviour reveals that the intention to buy low cost products has the highest mean score compared with other statements. It has a mean score of 3.9417, which is comparatively higher than all other statements associated with financial behaviour. The respondents are more interested in buying low cost products. The analysis also shows that respondents prefer in paying their bills on time than paying late. The participation of respondents in financial decision of family and in financial literacy programmes found low as it received low mean scores of 2.3750 and 2.2417 respectively.

Testing of Hypothesis 3- Dependence of financial knowledge in financial attitude

H0: Financial knowledge does not depends on financial attitude of respondents

H1: Financial knowledge depends on financial attitude of respondents

Dependence of financial knowledge in financial attitude

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.296 ^a	.087	.080	.47227

The above table shows the coefficient of correlation between the variable financial knowledge and financial attitude. The coefficient of correlation as 0.296 and R² as 0.087 indicates that there is a little correlation between these two variables and low R² value indicates that 4.4 percent of the change in financial attitude is being influenced by financial knowledge.

ANOVA-Dependence of financial knowledge in financial attitude

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.521	1	2.521	11.301	.001 ^b
	Residual	26.318	118	.223		
	Total	28.839	119			

The significance value is less than the criterion value of 0.05 states that even though there is a low R² value of .087, the dependence of financial knowledge in the financial attitude is significant.

Testing of Hypothesis 4- Dependence of financial knowledge in financial behaviour

H0: Financial knowledge does not depends on financial behaviour of respondents

H1: Financial knowledge depends on financial behaviour of respondents

Dependence of financial knowledge in financial behaviour

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.211 ^a	.044	.036	.33388

The above table shows the coefficient of correlation between the variable financial knowledge and financial behaviour. The coefficient of correlation as 0.211 and R² as 0.044 indicates that there is only a little correlation between these two variables and low R² value indicates that 4.4 percent of the change in financial behaviour being influenced by financial knowledge.

ANOVA Dependence of financial knowledge in financial behaviour

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.610	1	.610	5.471	.021 ^b
	Residual	13.154	118	.111		
	Total	13.764	119			

The above table shows the statistics regarding the model fitness of the regression model proposed. The significance value is less than the criterion value of 0.05 states that even though there is a low R² value, the dependence of financial knowledge in the financial behaviour is significant.

Testing of Hypothesis 5- Dependence of financial attitude in financial behaviour**Dependence of financial attitude in financial behaviour**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.607 ^a	.369	.363	.27137

The above table shows the coefficient of correlation between the variable financial attitude and financial behaviour. The coefficient of correlation as 0.607 and R^2 as 0.369 indicates that there is a moderate correlation between these two variables and low R^2 value indicates that 36.9 percent of the change in financial behaviour being influenced by financial attitude

ANOVA Dependence of financial attitude in financial behaviour

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.074	1	5.074	68.894	.000 ^b
	Residual	8.690	118	.074		
	Total	13.764	119			

The significance value is less than the criterion value of 0.05 states that even though there is a low R^2 value, the dependence of financial attitude in the financial behaviour is significant.

CONCLUSION

The finding of the study here concludes that the role of finance knowledge is an important variable that helps in proper management of his/her personal finance. It is the combination of financial knowledge, financial attitude and financial behaviour that constitutes the term financial literacy. The extent to which a person is financially literate will determine how well he/she would be able to make proper finance decisions. The finding of the study reveals that the college students lacks knowledge regarding risk diversification. The result from the study also reveals that the college student do have a strong attitude towards buying low cost products and in preparing the monthly budgets. The study conducted here makes recommendations that the finance education should be imparted in the college syllabus so that a positive financial attitude can be developed and the college students can manage their personal finance decisions effectively. The government should take measures in conducting different financial awareness programs which can creates changes in the financial attitude and behaviour among the college students which can further help in the development of economy.

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