

“A Study on Knowledge of Finance among Students of Pune”

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Abstract

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Financial knowledge plays a very important role in every individual's life. Economic development of country depends on the financial growth of individual. If individuals have financial knowledge then he/she can take decisions about investing, managing debts, saving, planning for marriage, child education and financial planning for retirement etc. If individual starts financial planning in early age then they can do financial management better way and can achieve financial goal. Objective of this paper is to study the level of financial literacy among the post graduate students, analyze the areas where they lack in financial knowledge and suggest them measures to improve financial literacy among the post graduate students. The data has collected from 100 post graduate students. From the analysis and findings it shows that, the government should encourage education institutes and university to make financial education compulsory in colleges. The government should arrange campaigns to educate students about the importance of financial literacy in each individual's life.

Keywords: Financial Literacy, GST, Money Market, Simple interest, Financial Planning.

Introduction:

Financial literacy is the combination of one's knowledge, skills and attitude towards financial matters. It helps to make informed decisions and well-being of an individual. In today's world market with complex products, the need for financial literacy becomes inevitable. Country like India which has high young population, the government is in a position to enhance the level of Financial Literacy. The government and other financial institutions have taken steps through financial education programs which make available financial knowledge relating to investment, budgeting, money, insurance, bank savings, retirement planning and financial planning. Financial literacy goes beyond provision of financial information and advice it is the capability to know, monitor and effectively use financial resources to increase the well-being and economic security of an individual, his family and his business.

OBJECTIVES OF THE STUDY

- Ø To study the level of financial literacy among the post graduate students.
- Ø To analyze the areas where they lack financial knowledge.
- Ø To suggest measures to improve financial literacy among the post graduate students.

Meaning of financial literacy:

The National Financial Educators Council (NFEC) defines financial literacy as “Possessing the skills and knowledge on financial matters to confidently take effective action that best fulfills an individual’s personal, family and global community goals.” The OECD defines financial literacy as “A combination of awareness, knowledge, skills, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being”

Importance of Financial Literacy:

Financial literacy is the education and understanding of various financial aspects. This topic focus on the ability to manage personal finance in an efficient manner and making appropriate decisions about personal finance such as investment, insurance, real estate, retirement and tax planning. Financial literacy demonstrates how an individual makes financial decisions. This skill will help a person to develop a financial road map to identify his earnings spending and liabilities.

Financial awareness implies to all age and socioeconomic levels. The lack of financial literacy can lead to owing large amounts of debt and making poor financial decisions.

REVIEW OF LITERATURE**Dilip Ambarkhane*, Bhama Venkataramani and Ardhendu Shekhar Singh (2015)**

One of the causes of Financial Crisis is identified as lack of Financial Literacy. The level of financial literacy worldwide is observed to be low. Considering the education system in India, we suspect that financial literacy here must be at low level. Moreover, we have a large unbanked population; financial literacy will help in bringing them in formal financial fold. It will favorably affect not only economic aspects of individuals but also social aspects. There are many malpractices and frauds taking place in financial sector. Financial literacy will help the people by preventing them in getting in to those traps. It will act as preventive as well as curative measure for the consumers.

Mahammad Rizwan¹, Mahammad Sadhik², K S Kishan Kumar(2015)

Financial literacy is increasingly important as it has become essential that individuals acquire the skills to be able to survive in modern society and cope with the increasing diversity and complexity of financial products and services available. Financial literacy is the ability to make informed judgments and to take effective decisions regarding the use and management of money. It enables individuals to improve their overall well-being and to plan for their future security

Farhan Ahmed, Dr. Muhammad Kashif, Izhar Ali (2016)

To examine the financial literacy is that it’s not that much has grown as it should have been, especially the underdeveloped countries, as amongst the biggest problems , the biggest problem has been faced by the most of the countries of the world is literacy among the youth, especially the countries like Pakistan have been majorly suffering

from the financial illiteracy. The problem of financial literacy in the any country lead the youth to stuck in financial problem for the rest of their life, this really has impacted their future and indirectly has impacted the country's growth.

RESEARCH METHODOLOGY

THE SAMPLE SIZE AND COLLECTION PROCESS:

SAMPLING METHOD:

Probability sampling method (Random sampling Method)is used to collect the data from the post graduate students.

Primary data :

- 1.The **primary data** which was collected by the questionnaire method which consisted of 20 questions based on financial literacy awareness .
2. The **secondary data** was collected through various published and unpublished research papers. Websites are also used to collect information.
3. **Sample size:** The study was made of 100 Post Graduate students.

DATA ANALYSIS

1) Age group of the respondents

Age	Total	Percentage
20-23 years	74	74.00%
23-26 years	15	15.00%
26 and above	11	11.00%
TOTAL	100	100

Interpretation:

From the above pie diagram, it can be observed that majority of the respondents are in the age group of 20 to 23 years, i.e. 74% of the total. While only 15% respondents are in the age group of 23-26 years while the least, 11% of the respondents are in the age group of 26 years and above.

2) Educational Qualification of the respondents

Qualification	Total	Percentage
MBA	58	58%
M COM	20	20%
PGDBM	6	6%
Others	16	16%
TOTAL	100	100%

Interpretation:

From the above pie diagram, it can be observed that majority of the respondents i.e. 58% are either MBA's or are still pursuing MBA. While M Com is being pursued

by 20% of the respondents, while the other qualification includes, PGDBF, CS, CA, MSC which is 16% of the total

Analysis of Questions related to financial literacy

3) Regulating authority of Insurance sector in India

Regulating authority	Total	Percentage
RBI	17	17%
AFMI	2	2%
IRDA	77	77%
SEBI	4	4%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that majority of the respondents i.e. 77% of the respondents know the correct answer that the regulating authority of Insurance sector in India is the IRDA, while 17% of the respondents think that RBI is the regulator of the insurance sector in India which is wrong.

4) Current RBI Governor of India

RBI Governor	Total	Percentage
Shaktikanta Das	72	72%
RaghuramRajan	12	12%
Urjit Patel	16	16%
Manmohan singh	0	0%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that majority of the respondents i.e. 72% of the respondents know the correct answer that the current RBI governor of India is Shaktikanta Das, while 16% of the respondents still think that Urjit Patel is the current RBI governor of India which is wrong.

5) Location of NSE in India

NSE location	Total	Percentage
Delhi	8	8%
Noida	3	3%
Kolkata	0	0%
Mumbai	89	89%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that majority of the respondents i.e.

89% of the respondents know the correct answer that the location of the National Stock Exchange is in Mumbai, while 8% of the respondents think that Delhi is the location of NSE which is wrong.

6) Expand the term IPO

IPO	Total	Percentage
Initial Public Offering	89	89%
India Public Offer	7	7%
Immediate People Offer	1	1%
India Public Offering	3	3%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that majority of the respondents i.e. 89% of the respondents know the correct answer of the full form of IPO is Initial Public Offer, while 7% of the respondents think that the full form of IPO is India Public Offer which is wrong.

7) The Life Insurance Company is not considered as a Non-Banking Financial Institution

LIC is not a NBFC	Total	Percentage
True	30	30%
False	70	70%
TOTAL	100	100%

Interpretation:

From the above pie diagram, it can be observed that majority of the respondents i.e. 70% of the respondents know the correct answer i.e. the life insurance company is considered as a non-banking financial institution while 30% of the respondents think that LIC is not considered as a NBFC.

8) Which of the following is NOT an example of Money Markets?

Capital Market	Total	Percentage
Call money market	6	6%
T-bills	13	13%
Stock market	75	75%
Certificate of Deposit	6	6%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that majority of the respondents i.e. 75% of the respondents know the correct answer i.e. the stock market is not considered as a money market instrument.

9) Market where securities are sold for the first time

Securities are sold for first time	Total	Percentage
Money market	3	3%
Capital Market	12	12%
Primary market	84	84%
Secondary Market	1	1%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that majority of the respondents i.e. 84% of the respondents know the correct answer i.e. the primary market is the market where securities are traded for the first time, while 12% of the people think that it's the capital market where the securities are traded for the first time which is wrong

10) Current Minister of Commerce and Industry in India

Minister of Commerce	Total	Percentage
Arun Jaitley	12	12%
RamvilasPaswan	5	5%
Piyush Goyal	69	69%
Don't know	14	14%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that majority of the respondents i.e. 69% of the respondents know the correct answer that the current minister of commerce and industry is Mr. Piyush Goyal while 12% of the respondents think that Mr. ArunJaitley is the current minister of commerce and industry, while 14% of the respondents don't know the correct answer.

11) Calculation of simple interest

Suppose you have Rs.100 in a savings account earning 2% interest a year. After 5 years how much would you have?

Calculation of Simple Interest	Total	Percentage
More than 102	84	84%
Exactly 102	6	6%
Less than 102	2	2%
Don't know	8	8%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that majority of the respondents i.e. 84% of the respondents know the correct answer that the savings account after 5 years will have more than rs.102 collected, whereas 16% of the respondents either don't know the right answer or have given the wrong answer.

12) How much amount will be provided by NITI Aayog to every district to encourage digital payment system?

NITI Aayog	Total	Percentage
1 Lakh	6	6%
2 Lakh	11	11%
5 Lakh	56	56%
Don't know	27	27%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that only 56% of the respondents know the correct answer that 5 Lakhs is provided to every district by the NITI Aayog to encourage digital payment system while 27% of the post graduate students are not aware about it.

13) Expand the term IFRS

IFRS	Total	Percentage
Indian Financial Reporting Standards	16	16%
International Financial Reporting Standards	67	67%
International Financial Reporting Systems	9	9%
Don't Know	8	8%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that 67% of the respondents know the correct full form of IFRS i.e. International Financial Reporting Standards while 16% of the students think that its Indian Financial Reporting Standards which is wrong and 8% of the students don't know the full form or are not aware about it.

14) Under an ESOP who of the following are offered shares in the company?

ESOP	Total	Percentage
NRI's	1	1%
Existing Shareholders	20	20%
Promoters	3	3%
Employees	76	76%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that majority of the respondents i.e. 76% are aware that an ESOP (Employee Stock Option Plan) is provided to the existing employees of the company whereas 20% of them think that its offered to the existing shareholders of the company which is not the correct answer

15) Which of the following is not an investment instrument?

Not a Investment Instrument	Total	Percentage
Stocks	0	0%
Line of Credit	90	90%
Bonds	8	8%
Mutual Funds	2	2%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that majority of the respondents i.e. 90% are aware than an Line of Credit is not an investment instrument which is correct, while 8% of the respondents feel that bonds are not an investment instrument which is wrong.

16) Where does "capital account" appear in the balance sheet of a company?

Capital account	Total	Percentage
Company's Asset	8	8%
Company's Liability	86	86%
Company's Expenses	4	4%
Company's Income	2	2%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that majority of the respondents i.e. 86% know that the capital account appears on the Liability side of the companies balance sheet which is correct while, 8% of the respondents think that it appears on the asset side of the companies balance sheet which is wrong.

17) Minimum Deposit amount in PPF account

Minimum deposit in PPF	Total	Percentage
Rs. 10	3	3%
Rs. 100	13	13%
Rs. 500	73	73%
Rs. 1000	11	11%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that majority of the respondents i.e. 73% know that the minimum amount to be deposited in a PPF account is Rs. 500 which is correct while, 27% of the people gave the wrong answer about the same.

18) Maximum number of Shareholders in a private limited company?

Maximum no of shareholders in private sector	Total	Percentage
200	65	65%
7	21	21%
100	6	6%
No Restriction	8	8%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that 65% of the respondents know that the maximum number of shareholders in a private limited company is 200 persons which is correct, while 21% of the respondents feel that the maximum number of members in a private limited company is 7, which is wrong.

19) Indian GST model has how many rates structure?

Indian GST model	Total	Percentage
three	13	13%
four	50	50%
five	33	33%
six	4	4%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that 50% of the respondents think that the Indian GST model has a 4 rate structure which is wrong. While only 33% of the respondents know that the Indian GST model has a 5 rate structure in India.

20) How many types of GST there in India presently?

Types of GST	Total	Percentage
two	14	14%
three	70	70%
four	10	10%
five	6	6%
TOTAL	100	100%

Interpretation:

From the above bar diagram, it can be observed that majority of the respondents i.e. 70% of them know that there are 3 types of GST in India which is correct while 14% of them think that India has 2 types of GST and that is wrong

FINDINGS

Ø It is found that majority of the respondents are in the age group of 20 to 23 years, which means that they are still pursuing their post-graduation.

Ø 77% of the respondents are aware that the regulating authority of Insurance

sector in India is the IRDA.

Ø While, 72% of the respondents know the answer that the current RBI governor of India is Mr. Shaktikanta Das.

Ø 89% of the respondents know the correct answer of the full form of IPO that is Initial Public Offer.

Ø 70% of the respondents know the answer i.e. the life insurance company is considered as a non-banking financial institution.

Ø 75% of the respondents know the answer i.e. the stock market is not considered as a money market instrument.

Ø 84% of the respondents know the answer i.e. the primary market is the market where securities are traded for the first time.

Ø 69% of the respondents know the correct answer that the current minister of commerce and industry is Mr. Piyush Goyal.

Ø 76% are aware than an ESOP (Employee Stock Option Plan) is provided to the existing employees of the company.

Ø 86% know that the capital account appears on the Liability side of the companies balance sheet.

Ø 73% know that the minimum amount to be deposited in a PPF account in a year is Rupees 500.

Ø 65% of the respondents know that the maximum number of shareholders in a private limited company is 200 persons.

Ø It is found that the awareness about the new tax structure i.e. the GST tax rates is very low amongst the post graduate students.

Ø 70% of them know that there are 3 types of GST in India.

Suggestion and conclusion:

From the analysis and findings it shows that, the government should encourage to education institutes and university to make financial education compulsory in colleges. The government should arrange campaigns to educate people about the importance of financial literacy in each individual's life. Every university and educational institute should arrange financial awareness programs for their students with association with financial institutions such as Reserve Bank of India, Banks and NBFC,s Insurance Regulatory Authority of India (IRDA), Securities and Exchange Board of India (SEBI) and The Pension Fund Regulatory and Development Authority (PFRDA). If universities also add subjects related to financial literacy in syllabus then it will help students to have sound financial knowledge and achieve below benefits.

- 1 They can understand and estimate which is good and bad investment
2. They can evaluate risk and reward for any financial product
3. They can plan their financial goals in early age of their career.
4. They can get more prospects in career
5. Sound financial knowledge will help them to educate their family and friends.

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