



ASSESSMENT OF FACTORS AFFECTING FINANCIAL LITERACY: A STUDY ON THE STUDENTS OF ALLAHABAD UNIVERSITY

A Study On The Students Of Allahabad University

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Abstract: According to the findings, taking into account people's gender is a crucial factor in determining their level of financial literacy. Various studies, which are in line with what has been found in the relevant research, male UOA students have a greater financial awareness than their female counterparts. This may be due to the fact that male students, on average, are the ones who have less fear of engaging in financial commitments like borrowing from informal financial institutions. This may be the reason why male students make up a larger percentage of the student population. Because of this, during the process they are able to get understanding regarding finances. In a similar line, it was discovered that the respondents' primary areas of academic interest were crucial factors in influencing the level of financial literacy among UOA students. On the other hand, researchers discovered that one's place of residence had a lot of bearing on their overall level of financial literacy. There was also not a significant correlation established between the pupils' ages and the level of financial literacy that they possessed. It's possible that this is because the pupils, on average, are all of the same age group, and there isn't much of a range when it comes to their ages. The Ministry of Education and Training should seriously consider including financial education as a core subject in the curricula of secondary schools, middle schools, and higher education institutions in order to close the gap in the levels of students' financial literacy that exists between male and female students. In addition to enhancing the financial literacy of students in University of Allahabad, this would also, in the long term, lead to a financially literate nation, a state that might encourage a financially productive climate on a macro level.

IndexTerms - Financial literacy, Questionnaire, Stratified sampling, Students, University of Allahabad.

1. INTRODUCTION

In academic writing as well as in the popular media, the words "financial literacy", "financial knowledge", and "financial education" are frequently used interchangeably (Huston, 2010). There are a number of different methods to define financial literacy, and many researchers have employed a variety of definitions depending on, among other things, the nature of each specific study, the objectives of the study, and the sort of data that was utilized.

The term "financial literacy" can be broken down into its component parts, the most fundamental of which are the knowledge and/or comprehension of the significance of money and the use of money. It provides a solution to the question of why money should be spent on this rather than that (Norman, 2010). In a manner analogous to this, Lusardi and Mitchell (2007) described financial literacy as the capacity of an individual to comprehend financial matters. That is, a collection of abilities and knowledge that enables an individual to make decisions regarding their grasp of finance that are both effective and well-informed.

Literacy in financial matters is an essential component of a society's long-term economic health, both on an individual and a societal scale. A society that is financially illiterate can be a source of several issues for the economy. Accordingly, a lack of financial literacy has been recognized as a primary reason for; costly borrowing, as well as high levels of debt, by a number of studies (Lusardi and Tufano, 2009) a low level of involvement in both the official financial market and the stock market (Cole et al., 2008) weak and insufficient planning for retirement (Lusardi and Mitchell, 2006). [Citation needed] [Citation needed] In its most basic form, this demonstrates how detrimental a lack of financial literacy can be for the well-being of people, households, and the economy as a whole. In addition, it sheds light on the ways in which the efficiency of financial markets might be hampered, leading to a standstill in the advancement of economic progress.

On the other side, there are a number of benefits that come along with having a nation that is financially savvy.

Consumers, communities, and businesses can all reap the benefits of this practice. In most cases, the microeconomic gains enjoyed by individuals eventually snowball into the macroeconomic advantages enjoyed by the economy as a whole and the financial system in particular. From the perspective of the household, financial literacy enables individuals to improve and better manage their wages, and as a result, individuals are better able to manage life events such as education, illness, the loss of a job, or retirement (Rajat, 2007).

In a similar vein, a community that is financially educated is in a better position to evaluate the financial policies of their various governments as well as the activities of the financial system.

Last but not least, the financial sector of an economy that has citizens who are aware about financial matters can be successful and grow at an alarming rate, leading to the attainment of economic growth. Citizens, and particularly tertiary students who will need to take part in the economy in the future, should have adequate financial education because of the importance of this topic. To successfully complete an academic programme in today's world requires a great deal more than simply doing the assigned coursework. Tertiary students, regardless of whether they are studying in a country with a high or low income, are confronted with a variety of obstacles that must be overcome in order to achieve their academic potential. Some of the issues are of a financial character, and this is due to improper management of the monies that are available. A multitude of challenges including time management, problems with finances, lack of sleep, social activities, and for the fact that some students are responsible for their families is one of the factors that can be detrimental to kids' academic achievement (Ansong and Gyensare, 2012).

Because of the widespread lack of financial literacy among tertiary students, they must contend with a number of challenges. Inadequate knowledge of personal finance can result in irresponsible overspending on consumption, which can then lead to financial difficulties and, as a result, poor academic performance among students enrolled in tertiary education all over the world. According to Lyons (2004), ineffective management of one's finances can have a negative impact not only on academic achievement but also on one's mental and physical well-being and even one's capacity to find work after graduation. Students at UOA are not immune to the challenges that arise from an inadequate understanding of personal finance management.

Students are at a turning point in their lives when they enter the tertiary level of study because they are transitioning from a state of financial dependency to a one of financial freedom (Sabri, 2011). The vast majority of students arrive at this level having not acquired sufficient understanding concerning the administration of their financial resources.

Because of this, they frequently end themselves in a lot of trouble on top of their bad academic achievement as a direct result of making poor financial decisions. These range from the abuse of drugs as a method of coping with the stress brought on by financial difficulties to the early and unplanned pregnancies experienced by female students who enter into intimate relationships, primarily with members of the working class, in an effort to find financial stability. As a result, the objective of the study is to identify the factors that influence the level of financial literacy exhibited by students at the National University of Allahabad (UOA).

The remaining parts of the paper are structured as described below. The literature review is presented in the second section, and the data and empirical technique employed in the study are presented in the third portion. The fourth section contains the data analysis and interpretation, the fifth section is about the findings and recommendations and the sixth section brings the study to a close with limitations of the study.

2. LITERATURE REVIEW

In recent years, the problem of inadequate financial education has emerged as one of the most pressing issues of concern for governments, organizations, and the worldwide community as a whole. In spite of the fact that there is no one universally accepted definition of financial literacy, a number of research have been carried out on the topic of financial literacy and the factors that influence it. These studies have used a variety of study units, data sets, and methods of analysis. Age, education level gender, major of study, occupation, region, area of residence, racial group, wealth, and ethnic background are important factors that explain financial literacy, according to a variety of studies that investigated the factors that determine financial literacy. These studies found that age, level of education, gender, occupation, region, and area of residence all play a role in determining financial literacy. This section provides a literature review on some of the probable causes of financial literacy, with a focus on the implications these variables have for students in tertiary education.

The acquisition of wisdom based on real-world experiences comes with maturation, which is a natural consequence of ageing (Agarwal et al., 2009). Therefore, several research have found age to be an important factor in explaining financial literacy. Ansong and Gyensare (2012) revealed that age and work-experience are good indicators of respondents' financial literacy. This was discovered through their investigation into the factors that determine the level of financial literacy among working students. In a similar vein, Almenberg and Save-Soderberg (2011) discovered that individuals between the ages of 35 and 50 have the highest levels of literacy, whereas individuals older than 65 were found to perform the worst in terms of their literacy skills. According to Cole et al. (2008), who found that age was a significant factor to explain financial literacy in India and Indonesia, it is therefore expected that the level of financial literacy among students at UOA will be correlated with their respective age groups. This finding is in line with the findings of Cole et al. (2008).

One of the demographic factors that has been shown to have a correlation with one's level of financial literacy is one's gender, according to a number of studies that have been conducted on the topic. In most cases, it has been discovered that males have a greater level of understanding on matters pertaining to finances than females do. In Italy, having a masculine gender is connected with having a higher level of financial awareness, according to Guiso and Jappelli (2008). In addition, Bernheim (1998) found that males score better than females when asked questions pertaining to both microeconomics and macroeconomics. In a similar vein, Goldsmith and Goldsmith (1997) pointed out that women score lower than men score because, in general, they are less interested in the topics of investment and personal finance and, as a result, they use financial services less frequently. This causes their scores to be lower than men's scores. According to the justification presented above, it is reasonable to anticipate that male UOA students will have a greater understanding of financial topics than their female counterparts.

It is also considered that there is a connection between the area of living and the amount of financial understanding. According to research conducted by Cole et al. (2008), persons who reside in rural areas have the lowest levels of financial understanding. It is reasonable to anticipate that a student's degree of financial literacy will be inversely proportional to the location of their primary place of residence, given that UOA students come from both rural and urban settings.

3. RESEARCH METHODOLOGY

Several studies have made use of a variety of research approaches in an effort to investigate the factors that determine financial literacy. The descriptive statistical method of analysis is used in this study, and the results are presented in the form of frequency charts and tables. When attempting to illustrate the extent of the relationship that exists between categorical variables, descriptive statistics is a method of data analysis that is suited to the task.

a. Data Collection and sampling

Due to the use of primary data in the study, the questionnaire that was administered was the instrument that was used to collect data. We employed a technique called "leave and pick," in which we gave the respondents questionnaires to fill out during the lecture sessions and then collected them at a later time. Because it allowed the respondents adequate time to fill out the questionnaires, the leave and pick strategy that was used during the lecture sessions was the one that should be preferred. In addition, the strategy was efficient in terms of time management because it made it simple to both disseminate and collect the surveys. Respondents were chosen at random from the entire population of registered UOA students who were enrolled during the academic year 2022-23 using the procedures that will be detailed in the following paragraphs.

A multi-step process was used to select study participants for sampling. A stratified random sampling method was used to select the study sample, in which each faculty was treated as a stratum. This was done because the authors of this study considered the population of intrinsic interest (UOA students) to be heterogeneous in terms of faculties. Consequently, this method was necessary in order to account for the fact that this study considered the population of intrinsic interest (UOA students) to be because there are mainly five different departments that make up the university, the population was split up into five different categories. Not only does the stratified sampling method provide an element of representativeness, but it also makes it possible to measure the flaws introduced by sampling. After that, 19 students were chosen at random from each level of instruction. The selection of a sample size of 95 students was fairly logical.

b. Questionnaire design

A test of one's knowledge of financial matters is included in the questionnaires. The financial literacy test consisted of seven questions that tested students' understanding of fundamental financial concepts such as sales, discount and interest rate, time value of money, investment, bonds knowledge, inflation, and savings. The test was given in the form of a multiple-choice quiz.

The level of the students' financial literacy could be inferred from their performance on the exam, which demonstrated the extent of the students' financial understanding. In addition, the questionnaires gathered information from respondents regarding their demographic traits.

4. DATA ANALYSIS AND INTERPRETATION

The results of the financial literacy exam were used to build a score for each participant's financial literacy. This score spans from one to four and is correlated to different levels of literacy, as shown in Table 1.1 below.

Table 1.1. Financial Literacy Score

Financial Literacy	Number of correct answers	Percentage of correct answers
Excellent	5-6	35.26%
Good	4-5	37.89%
Fair	2-3	16.32%
Poor	0-1	10.53%
TOTAL		95

Source: Author's compilation

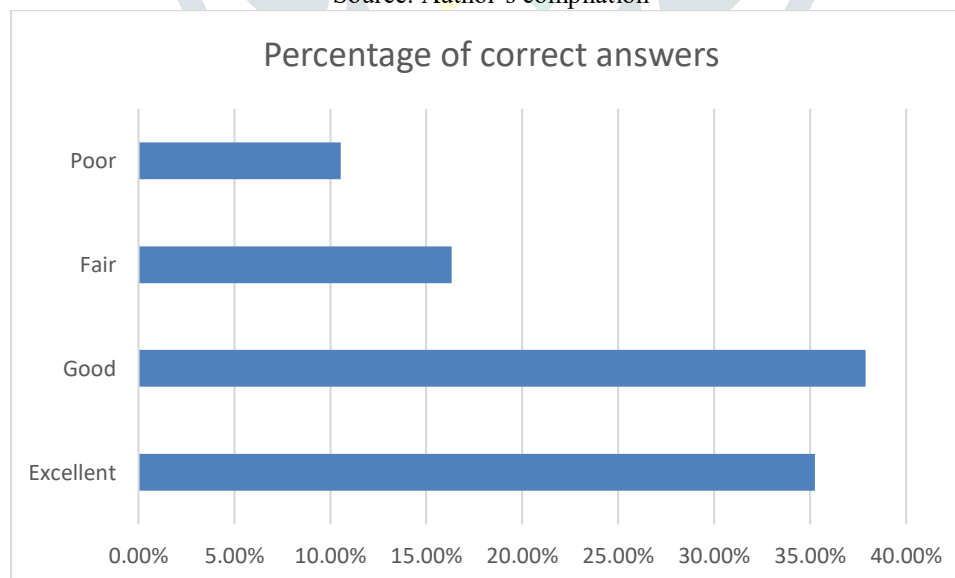


Fig. 1: Percentage of correct answers

According to figure 1, we can depict that if the respondent was able to answer 5-6 questions correctly, then he/she is assumed to have financial literacy of excellent level. Whereas, if the respondent gives only 4-5 correct answers, then he/she falls in the category of good financial literacy. Further, only 2-3 correct answers to the given questions would result in fair level of financial literacy. Lastly, if the respondent is not able to correctly answer more than 1 question, the he/she would be considered to have a poor financial literacy level. In table 1.1 given above, we can observe that 35.26 per cent of students in the University of Allahabad were under the excellent category in terms of financial literacy. Whereas, 37.89 percent students were under the good category. 16.32 per cent students were under the fair category and only 10.53 per cent students were found to be in the poor category of financial literacy.

Table 1.2: Gender based financial literacy score

Financial Literacy	Gender	%age of Financial Literacy
Excellent	Female	12.63%
Excellent	Male	22.63%
Good	Female	17.89%
Good	Male	20.00%
Fair	Female	2.63%
Fair	Male	13.68%
Poor	Female	3.16%
Poor	Male	6.84%
Poor	transgender	0.53%

Source: Author's compilation

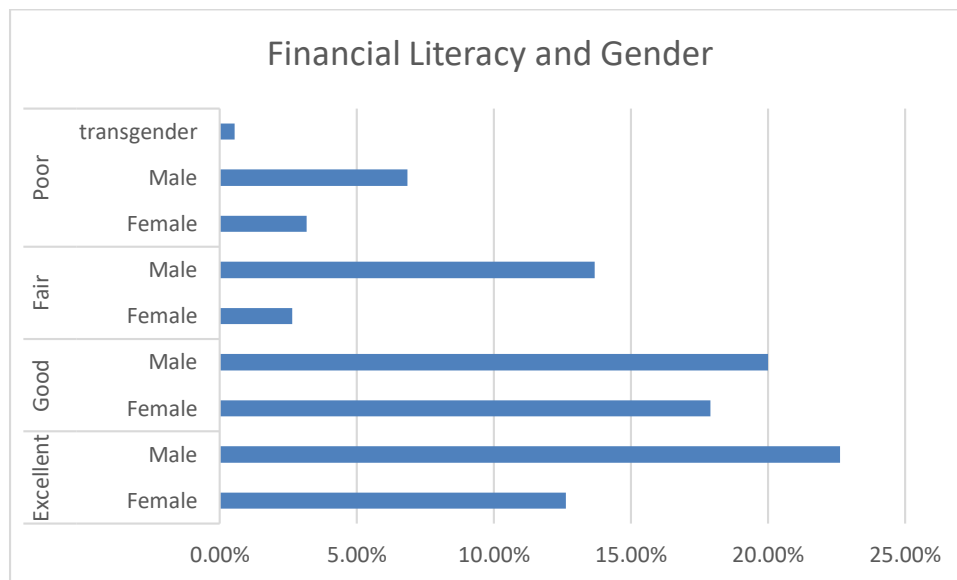


Fig. 2: Financial Literacy and Gender based cross-tabulation

In the case of the relationship between financial literacy and gender, the results depict that males are indeed more financially literate than females. As shown in Table 1.2 and Figure 2, about 22.63 per cent of males' performance on a financial literacy test fell in the excellent category while only 12.63 percent of females attained the same performance category. This implies that 22.63 percent of male students were able to answer 6-7 questions correctly, but only 12.63 percent of female students answered the same range of questions correctly. Furthermore, only 3.16 percent males performed poorly in the test as compared to 6.84 percent males who attained the same performance. This implies that 3.16 percent of the males and 6.84 percent of the females, respectively, were only able to answer 0-1 questions correctly. Therefore, UOA male students are more financially literate, than their female counterparts. The findings are consistent with the works of Danes and Hira (1987) and Beal and Delpachitra (2003) that generally males have an upper hand to females so far as financial literacy and knowledge are concerned.

Table 1.3: Age based financial literacy score

Financial Literacy	Age	%age of Financial Literacy
Excellent	15-25 years	26.32%
Excellent	25-35 years	7.89%
Excellent	35-45 years	0.53%
Excellent	35-45	0.53%
Good	15-25 years	16.32%
Good	25-35 years	20.53%
Good	35-45	0.53%
Good	45 and above	0.53%
Fair	15-25 years	10.00%
Fair	25-35 years	5.79%
Fair	35-45 years	0.53%
Poor	15-25 years	4.74%
Poor	25-35 years	5.79%

Source: Author's compilation

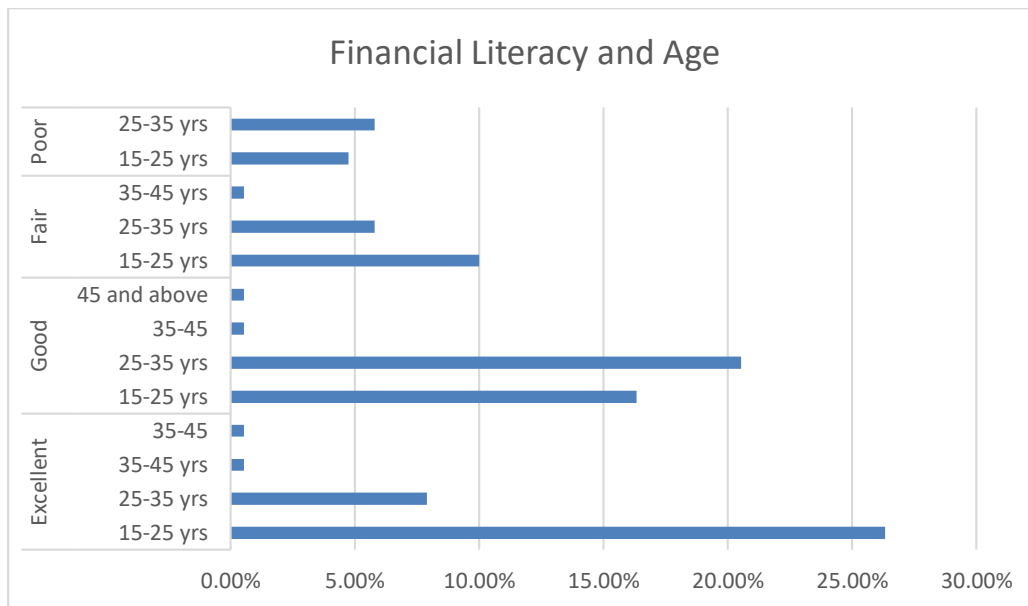


Fig.3: Financial Literacy and age based cross-tabulation

Table 1.3 and Figure 3 depict that 26.32 percent of those aged between 15-25 years performed excellently, 16.32 percent were in the good category and only 4.74 percent performed poorly. Whereas, only 7.89 percent of those aged between 25-35 years fell in the excellent category and 5.79 percent performed poorly. These results are not consistent with the literature since it suggests that age has a non-linear effect on financial literacy and that financial literacy peaks in Middle Ages (Worthington, 2004; Cole et al., 2008; Almenberg and Save-Soderberg, 2011). That is financial literacy improves with age below Middle Ages and decreases with age beyond middle-ages.

Table 1.4: Region based financial literacy score

Financial Literacy	Region	Count of Financial Literacy
Excellent	Not Specified	0.53%
Excellent	Sub-Urban	1.05%
Excellent	Rural	1.58%
Excellent	Urban	32.11%
Good	Not Specified	0.53%
Good	Sub-Urban	10.00%
Good	Rural	2.63%
Good	Urban	24.74%
Fair	Not Specified	1.05%
Fair	Sub-Urban	4.74%
Fair	Rural	1.58%
Fair	Urban	8.95%
Poor	Not Specified	0.53%
Poor	Sub-Urban	1.58%
Poor	Rural	1.58%
Poor	Urban	6.84%

Source: Author’s compilation

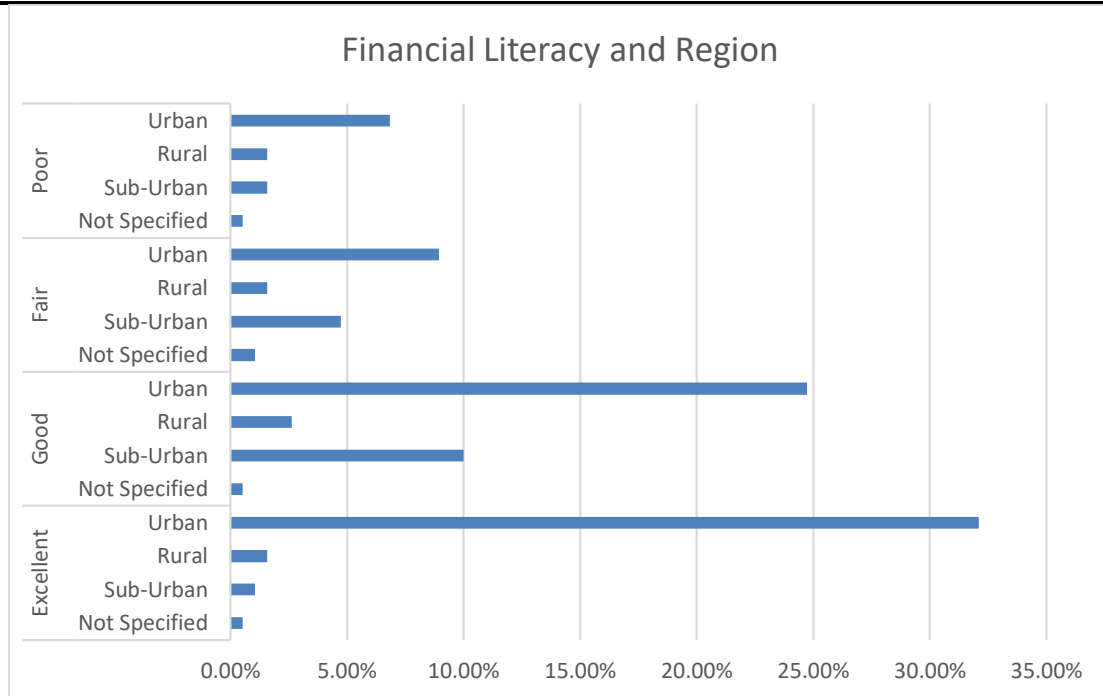


Figure 4: Financial Literacy and age based cross-tabulation

As depicted by Table 1.4 and Figure 4, only 1.58 percent of rural-based students received a grade excellent and 32.11 percent of urban-based students scored excellent. However, 2.63 percent of the former demonstrated a good performance while 24.74 percent of the latter the same performance. Logically, it can be argued that the area of residence has a lot of impact on the UOA students' level of financial literacy. This result is similar to the findings of Cole et al. (2008) that people who live in rural areas demonstrate the lowest level of financial knowledge. This might be due to the fact that even at this level of education, students from rural background are not striving to gain new knowledge about finance.

5. FINDINGS AND RECOMMENDATIONS

According to the findings, taking into account pupils' gender is a crucial factor in determining their level of financial literacy. According to the findings, which are in line with what has been found in the relevant research, male UOA students have a greater financial awareness than their female counterparts. This may be related to the fact that, on average, male students are the ones who have less fear of engaging in financial commitments like borrowing money from informal financial institutions. This may be the reason why male students are more likely to borrow money. Because of this, during the process they are able to get understanding regarding finances. In a similar line, it was discovered that the respondents' primary areas of academic interest were crucial factors in influencing the level of financial literacy among UOA students. On the other hand, researchers discovered that one's place of residence had a lot of impact on their overall level of financial literacy. There was also not a significant correlation established between the pupils' ages and the level of financial literacy that they possessed. It's possible that this is because the pupils, on average, are all of the same age group, and there isn't much of a range when it comes to their ages.

The Ministry of Education and Training should seriously consider including financial education as a core subject in the curricula of secondary schools, middle schools, and higher education institutions in order to close the gap in the levels of students' financial literacy that exists between male and female students. In addition to enhancing the financial literacy of students in Allahabad, this would also, in the long term, lead to a financially literate nation, a state that might encourage a financially productive climate on a macro level.

6. LIMITATIONS OF THE STUDY

According to this research, several factors that could potentially determine one's financial literacy were omitted from the study. These factors included one's occupation, the educational level of one's parents, one's income level, and one's level of accessibility to various sources of financial education and information. Due to the demographics of the participants, the research cannot be considered comprehensive because it was only able to collect and examine three of the suggested factors that determine financial literacy. The size of the sample seems to be on the low end when viewed in proportion. The aforementioned constraints may have an effect on the results, and as a result, the conclusions that were drawn.

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