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Personal Financial Literacy among University Students: A Study of Jananayak Chandrashekhar University, Ballia

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ABSTRACT-

A sample of university students from **Jananayak Chandrasekhar University, Ballia,** has been studied in this paper to determine their level of financial literacy. Results show that most of the students have basic level of financial knowledge but they lack in understanding of credit, taxes, share market, financial statement and insurance. Students are highly influenced by their parents at home and they have positive attitude towards savings. The study further identified income, age, stream of education, types of college, and attitude of students as determinants of financial knowledge; and financial knowledge is unaffected by gender, university affiliation, financial behavior and influence. It is concluded that college students have basic level of financial knowledge. However, overall financial knowledge of the students is affected by some of their demographic, educational and personality characteristics. The study found that university students with a background in **commerce** had fairly strong financial literacy, which has nothing to do with their demographic profile.
The study's objectives are to ascertain the degree of financial literacy among university students, to ascertain the association between financial literacy and student characteristics, and to offer a resource for information that might help with the formulation of strategies to raise financial literacy among university students. A survey instrument is used in this study to gauge participants' levels of financial literacy with regard to concepts including saving and spending, banking, risk management, insurance, and investing. The results were analyzed based on gender, study area, class rank, employment status, parents' educational background, and the student's school. By using logistic regression and analysis of variance, the association between financial literacy and the student population's demographics was investigated.

Keywords-Financial Literacy, University Students, Financial Behavior, Influence, Attitude, and Financial Knowledge.

INTRODUCTION-

Financial literacy is defined as the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being. It is through financial education that people improve their understanding of the financial products, services and concepts and are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being (President's
Advisory Council on Financial Literacy, 2008).Financial literacy is needed in order to face market competition, increase market efficiency and to reduce regulatory intervention. Moreover, with the development of the financial markets, the individuals need to have the capacity and the confidence to make informed financial

decisions thus underlining the importance of financial literacy. Academic researchers have identified various definitions of financial literacy. In a study conducted by Das (2007), financial education has been defined as providing familiarity with and understanding of financial market products, especially rewards and risks, in order to make informed choices. According to Gouws and Shuttleworth (2009), financial literacy can be seen as the interface facilitating a high degree of understanding between the financial information system and the human behaviour system. Gale and Levine (2010) find financial literacy to be the ability to make informed judgments and effective decisions regarding the use and management of money and wealth. Donohue (2011) states that financial literacy means one is literate in the issues of managing money (including saving, budgeting, investing, credit, insurance and taxes) and utilises that knowledge in order to gain personal welfare through financial security. Olga (2011) defines financial literacy as necessary numerical skills and understanding of basic economic concepts required for educated saving and borrowing decisions.

OBJECTIVES OF THE STUDY-

Following are the specific objectives of the study:

1. To examine the level of financial literacy among University students.
2. To find out the impact of various demographic variables on the level of financial literacy of these university students.

LITERATURE REVIEW-

There is no such comprehensive definition of financial literacy that can satisfy all readers. According to the **Organization for Economic Cooperation and Development (2005),** financial literacy can be defined as the process through which financial consumers and investors enhance their comprehension of financial products and concepts. This is achieved by means of information, instruction, and/or unbiased advice, enabling them to develop the necessary skills and confidence to be more cognizant of financial risks and opportunities. The ultimate goal is to empower individuals to make informed choices, seek assistance when needed, and undertake effective actions to enhance their financial well-being.

The **United States Financial Literacy and Education Commission (2007)** provides a definition of financial literacy as the ability to effectively manage financial resources throughout one's lifetime for the purpose of achieving financial well-being. Similarly, **Lusardi (2008)** defines financial literacy as the understanding of fundamental financial concepts, such as interest compounding, the distinction between nominal and real values, and the basics of risk diversification. Furthermore, **Huston (2010)** characterizes financial literacy as the measurement of an individual's comprehension and utilization of personal finance-related information. Additionally, financial literacy encompasses an individual's capacity and confidence to employ their financial knowledge in making financial decisions.

Thus, for the purposes of this study, financial literacy is defined as the comprehension and knowledge of essential economic and financial principles, along with the ability to apply that knowledge in managing financial resources. Numerous studies have been conducted among young individuals, including both school and college students, to assess their level of financial literacy. Some studies have utilized demographic variables exclusively for evaluation, while others have analyzed the impact of educational background and other personal characteristics.

Ibrahim et al (2009) reached the conclusion that students' demographic variables, such as social background, financial attitude, financial knowledge, and family sophistication, significantly influence their level of financial literacy. In the United States**, Danes and Hira (1987)** conducted a survey involving 323 college students from Iowa State University. The survey employed a questionnaire that covered topics such as knowledge of credit cards, insurance, personal loans, record keeping, and overall financial management. The results of the survey showed that the participants exhibited a low level of knowledge pertaining to overall money management, credit cards, and insurance.

The researchers also discovered that males possess a greater understanding of insurance and personal loans, while females exhibit more knowledge regarding the topics covered in the realm of overall financial management. Moreover, the study revealed that married students demonstrate a higher level of proficiency in personal finance. **Britt et al. (2004)** conducted an investigation into the financial behaviors of university and college students. Through a survey of 1500 students, they observed that 90% expressed an interest in acquiring knowledge on specific financial topics. The highest percentage of students expressed a need for counseling services, followed by a desire to learn about savings and investment, budgeting, strategies for increasing income, and financial management. Furthermore, the study found that female students tend to derive greater enjoyment from shopping and are more likely to make purchases during sales, while males tend to conceal their spending habits from their families. Similarly**, Shaari et al. (2013)** utilized a questionnaire survey to examine the financial literacy of 384 university students from local Malaysian universities. The results indicated a significant positive relationship between spending habits and years of study with financial literacy, while age and gender were negatively associated with financial literacy. The study concluded that financial literacy plays a crucial role in preventing university students from accumulating excessive debt, particularly credit card debt.

Jorgensen (2007) investigated the personal financial literacy of undergraduate and graduate college students, taking into account gender, class rank, socioeconomic status, as well as parental and peer influences. The study found that students exhibited low scores in financial knowledge, attitude, and behavior, but these scores significantly increased each year from freshman to master's level. Additionally, the study revealed that students who were financially influenced by their parents attained higher scores in financial knowledge, attitude, and behavior, while students with greater financial knowledge also displayed higher scores in financial attitude and behavior.

Likewise, **Lusardi et al. (2010)** examined financial literacy among youth in Germany and discovered that it is relatively low, with less than one-third of young adults possessing basic knowledge of interest rates, inflation, and risk diversification. However, the study identified a strong correlation between financial literacy and socio-demographic characteristics, as well as family financial sophistication.

The level of financial literacy among undergraduate level students is affected by age, gender, language, race, and income level (Clercq et al., 2009). In a study conducted by **Nidar and Bestari(2012)** at Padjadjaran University of Indonesia, it was found that personal financial literacy among 400 students was categorized as low, particularly in the areas of investment, credit, and insurance. The study also revealed that factors such as level of education, faculty, personal income, knowledge from parents, parents' income, and ownership of insurance had a significant impact on personal financial literacy. The dimensions of personal financial literacy used in the study included basic personal finance, income and spending, credit and debt, saving and investment, and insurance.

Heenkenda (2014) explored the pattern and levels of disparity in functional financial literacy in the Sri Lankan context using quantitative data from urban, rural, and state sectors. The study found that socio-economic-demographic characteristics were strongly associated with the financial literacy of individuals. Additionally, the majority of respondents demonstrated only modest financial knowledge, and the levels of functional financial literacy varied across respondents depending on their education, income, gender, age, and other factors. A survey conducted by the Institute of Microfinance (In M, 2011) in Bangladesh, which covered nearly 9000 households, revealed a significant lack of financial literacy in the country, particularly in rural areas. According to a study by VISA (2012), India was ranked 23rd out of 28 countries in terms of financial literacy.

Agarwalla et al. (2013) further identified the influence of various socio-demographic factors on different dimensions of financial literacy among young working individuals in urban India, including factors specific to India such as joint-family and consultative decision-making processes.

Some of the studies have indicated that the field of education serves as one of the indicators for determining the financial literacy of students **(Chen & Volpe, 1998; Peng et al., 2007; Robb & Sharpe, 2009; Ramasawmy et al., 2013, and Fatoki, 2014).** In Mauritius**, Ramasawmy et al. (2013)** conducted a survey among management students at the University of Mauritius to examine their level of awareness regarding financial literacy. The study considered four fundamental aspects of financial literacy: level and importance, definitions and theories, constraints, and measures to improve financial literacy. The researchers found that management students at the University of Mauritius attached a significant level of importance to financial literacy in relation to their area of study. However, the results indicated that most students possessed only a moderate level of knowledge and skills in financial literacy, particularly in terms of savings and borrowings. The researchers did not observe a significant difference in the level of financial literacy between male and female respondents. However, they did find a significant difference in the ability of males and females to read, analyze, manage, and communicate in the context of financial literacy. Additionally, their study demonstrated that factors such as age, gender, language, race, and income level did not have an impact on the level of financial literacy.

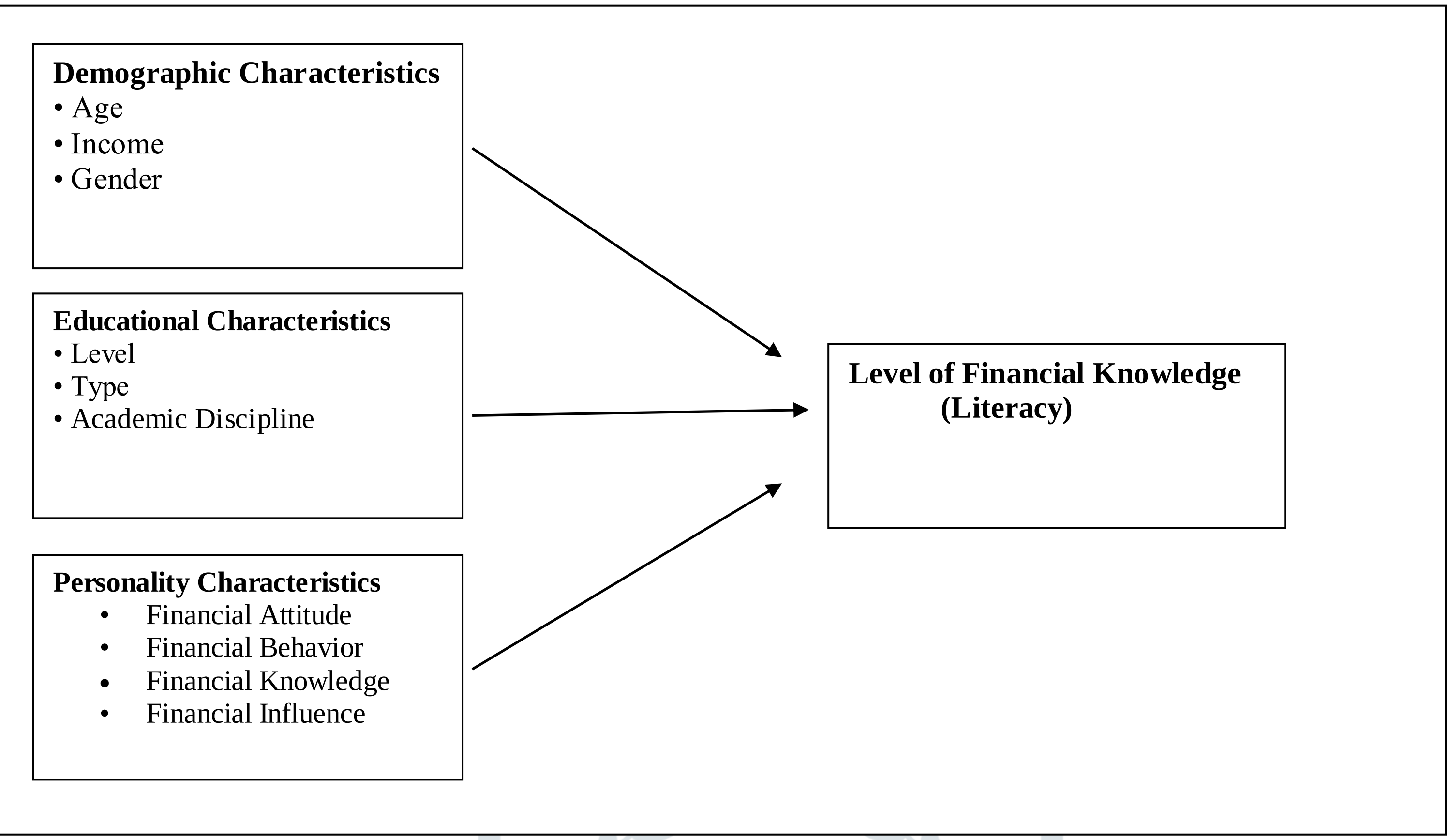
A similar study was conducted in South Africa by **Fatoki (2014).** Fatoki assessed the level of financial literacy among business and non-business students at two universities located in Gauteng and Limpopo province of South Africa. The study revealed that financial literacy significantly influences an individual's financial decisions, particularly in the areas of savings, borrowing, retirement planning, and portfolio choice. Furthermore, the study found that non-business students generally have a lower level of financial literacy compared to business students.

Financial behavior, attitude, and influence are interconnected with one's level of financial knowledge **(Jorgensen, 2007).Hathaway and Khatiwada (2008)** conducted a critical analysis of the impact of financial education programs on consumer financial behavior, however, the empirical relationship between financial knowledge and behavior was inconclusive. It is possible that factors other than financial knowledge and attitudes may be associated with savings behaviors. Nevertheless, **Hilgert et al. (2003)** did find some evidence supporting a connection between financial knowledge and improved financial practices. They utilized monthly survey data from the University of Michigan's Surveys of Consumers and created indexes that reflect the extent to which households engage in four financial management practices: cash flow management, credit management, saving, and investment.

METHODOLOGY OF THE STUDY-

Sampling unit- At Jananayak Chandrashekhar University Ballia, individuals identified as "university students" are regarded as the representative sample. The educational domain comprises undergraduate/bachelor's degree education as well as higher education/postgraduate level education.

Sample size – Since the sample size is contingent upon various constraints such as income, Financial Attitude, Knowledge and Behavior, approximately 75 respondents have been selected for the purpose of conducting a comprehensive study. The individuals who were chosen are considered as the participants of this investigation.

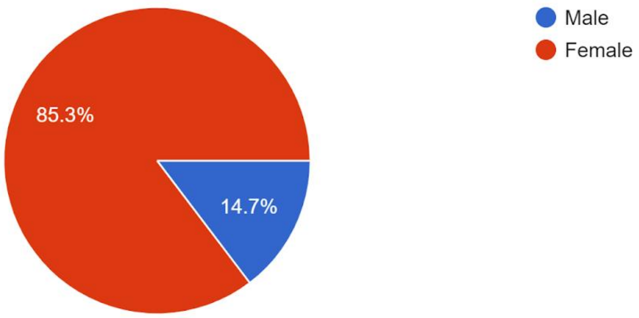


DEMOGRAPHIC PROFILE OF THE STUDENTS-

This paper has attempted to achieve one of its main objectives, specifically, to determine empirical evidence regarding the investment, saving and manage money habits of Students.

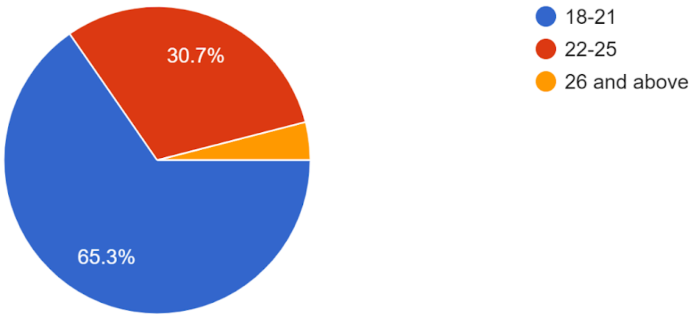
1. Gender

75 responses



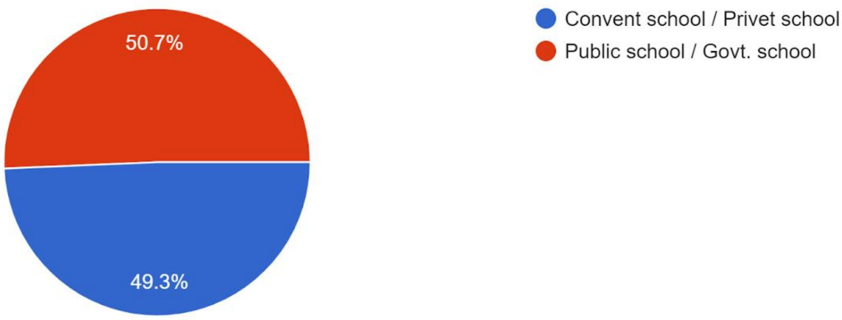
2. Age

75 responses



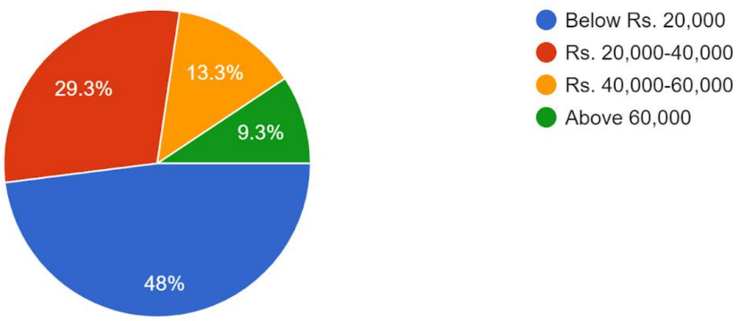
3. Schooling

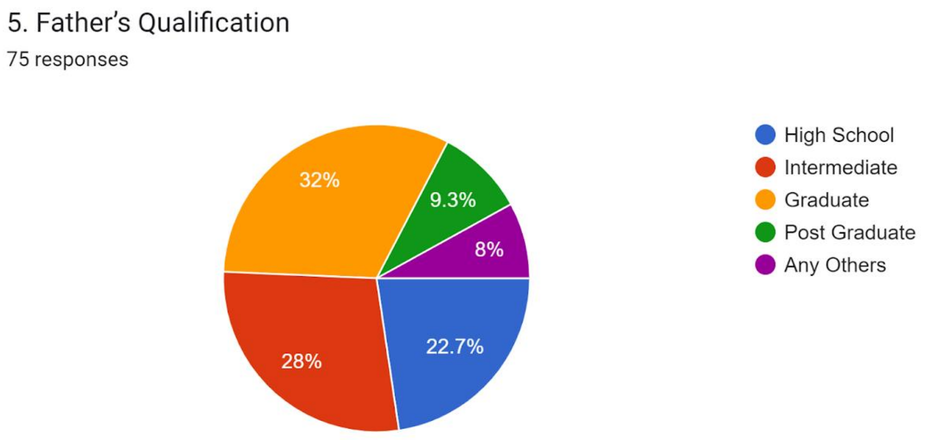
75 responses

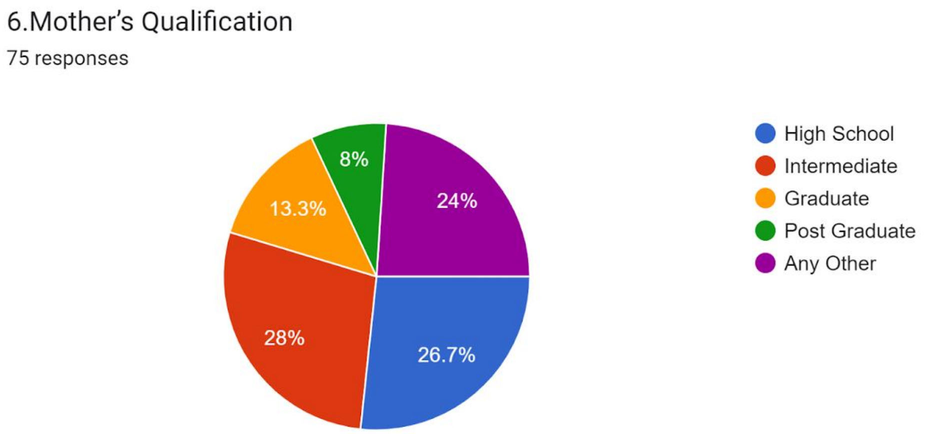


4.Family Monthly Income

75 responses

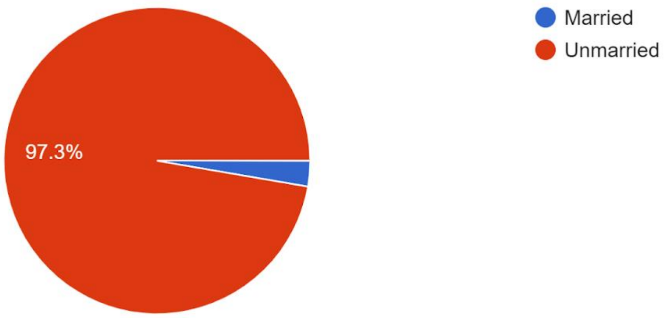



5. Father's Qualification
75 responses
32%
9.3%
8%
22.7%
28%
High School
Intermediate
Graduate
Post Graduate
Any Others


6.Mother's Qualification
75 responses
8%
13.3%
24%
28%
26.7%
High School
Intermediate
Graduate
Post Graduate
Any Other

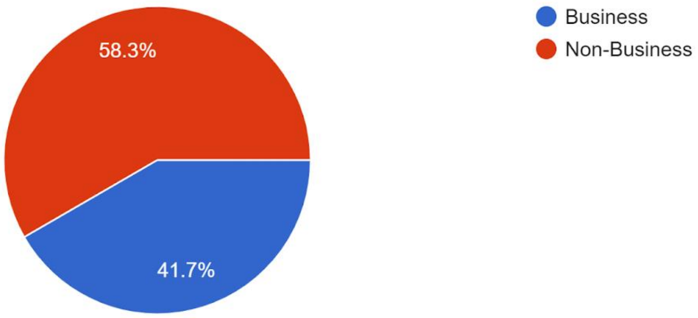
7. Marital Status

74 responses



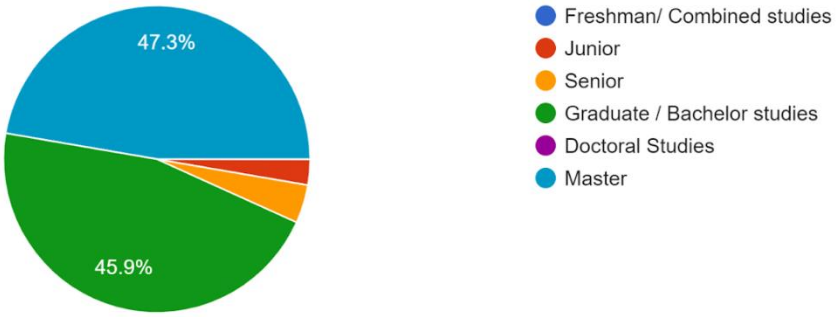
1. Academic Discipline

72 responses

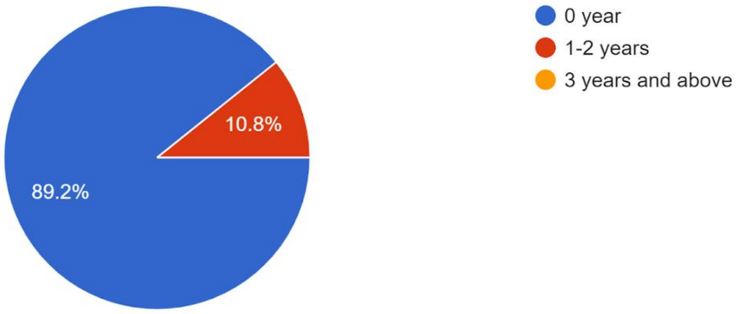


2. Class Rank/ Level of education

74 responses

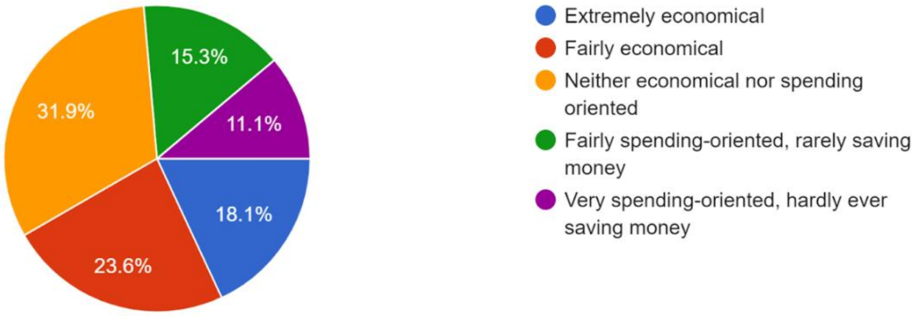


3. Working experience
74 responses

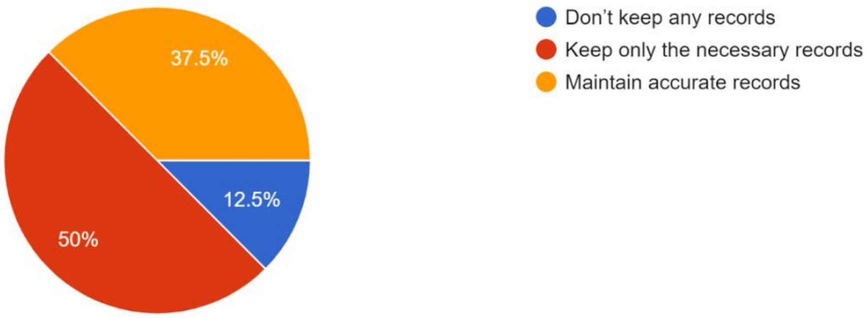


FINANCIAL BEHAVIOUR-

Section II: Basic Information Financial Behavior 1. How economical/spending oriented are you?
72 responses

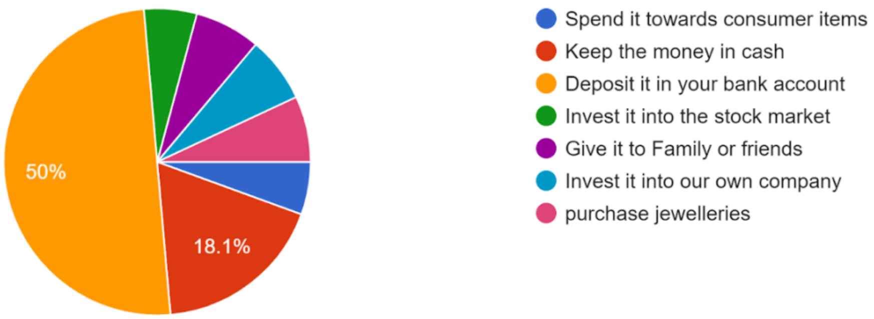


2. How do you maintain a record of your financial transaction?
72 responses



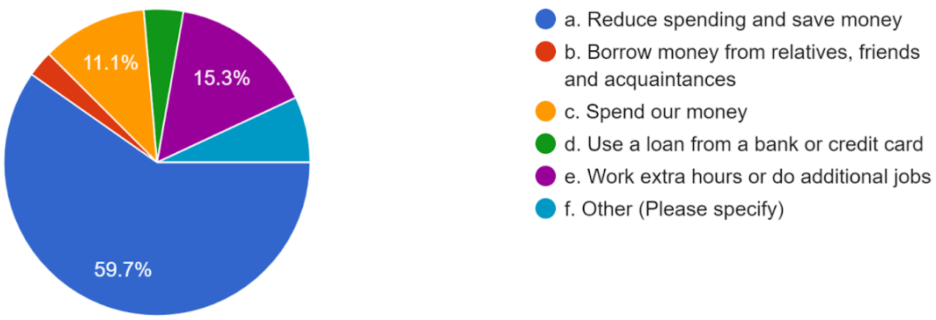
3. What would you do if (or your family) had any money left before the next income arrives? What do you normally do with it? (Select the most suitable option).

72 responses



4. What do you usually do when you (your family) run(s) out of money before the next income arrives?

72 responses

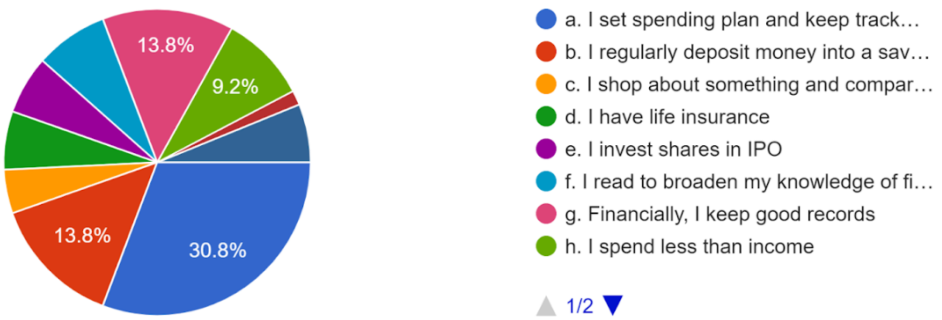


5. Assume that your family received additional income in the range of Rs50,000- Rs2,00,000 in additional to your usual income. What, if anything, would you buy with this money?

68 responses

6. Rate the following statements on a scale of 1-4 (1, not at all true for me; 2, somewhat not true for me; 3, somewhat true for me, 4, very true for me)

65 responses



FINANCIAL INFLUENCES-

7. Rate the following items of influences on a scale of 1-4 (1, none; 2, not much; 3, some; 4, a lot). How much of the following did you learn regarding money management?

Items

a. Parents

b. Friends

c. School

d. Books

e. Media

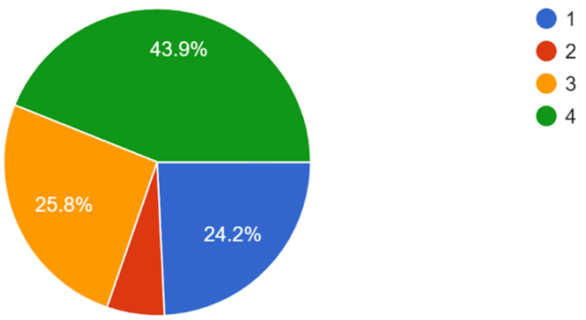
f. Job

g. Life experiences

h. Internet

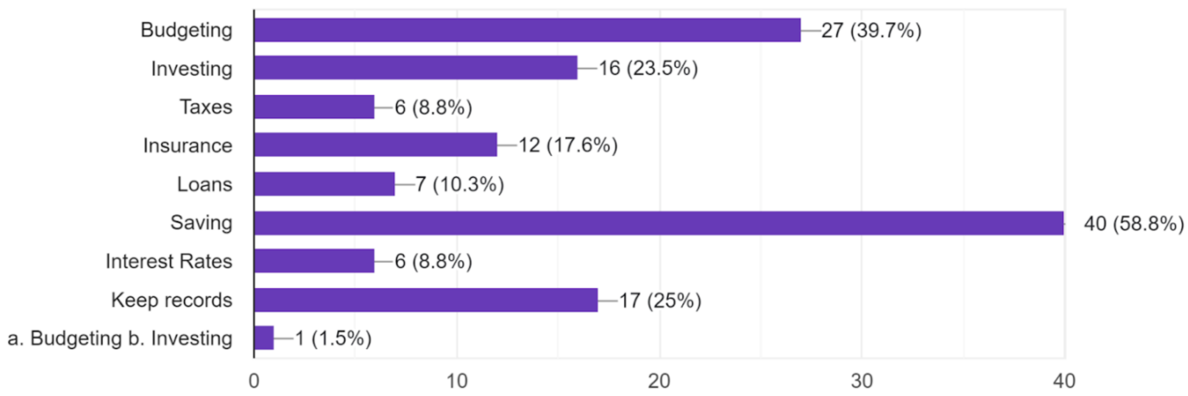
Financial Influences 7. Rate the following items of influences on a scale of 1-4 (1, none; 2, not much; 3, some; 4, a lot). How much of the following did yo...oks e. Media f. Job g. Life experiences h. Internet

66 responses



8. Which one of the following items did you learn about growing up at home? (Check all that apply)

68 responses



9. How would you describe the management of finances in your family? (Tick each application)

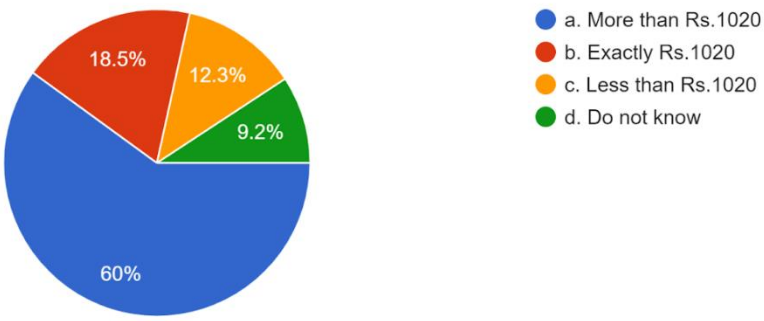
68 responses

FINANCIAL ATTITUDE-

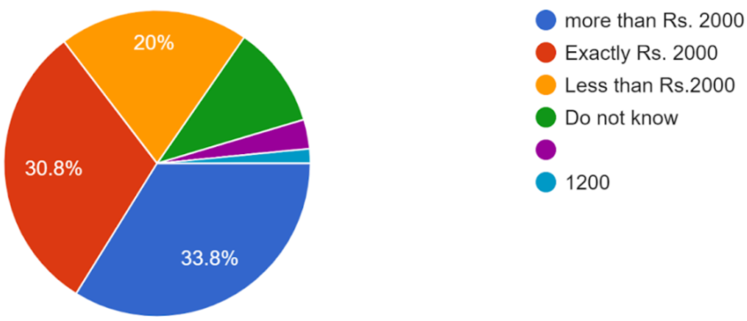
Financial Attitude 10. Rate the following items on a scale of 1-4 (1, not at all true for me; 2, somewhat not true for me; 3, somewhat true for me, 4, very true for me) Statements
64 responses

FINANCIAL KNOWLEDGE-

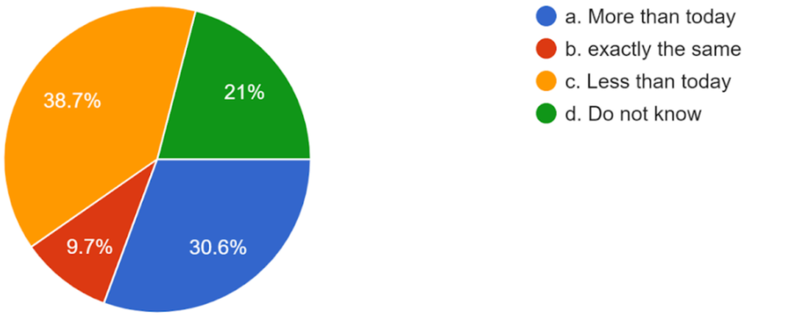
Financial Knowledge Please select only one answer option for question no. 11 to question no.21. 11. Assume Rs.1000 in your savings account ...ave in the account if you left the money to grow?
65 responses



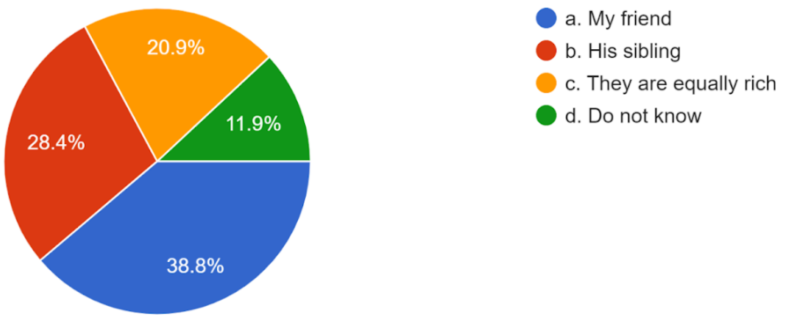
12. Assume you had Rs.1000 in a savings account and earning 20% interest annually and that you never withdraw money or receive interest. How much ... you have in this account overall after five year?
65 responses



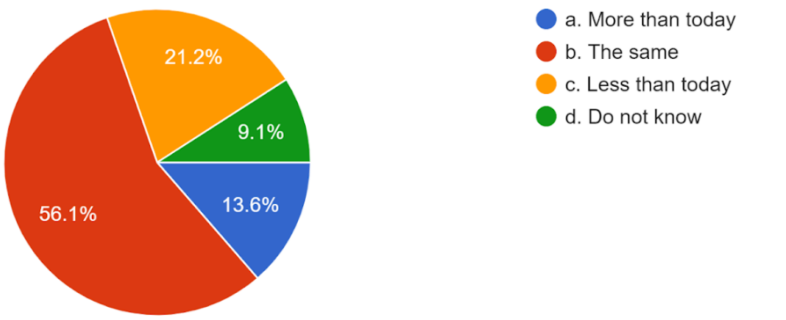
13. Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?
62 responses



14. Assume a friend inherits Rs.10,000 today and his sibling inherits Rs.10,000 three years from now. Who is richer because of the inheritance?
67 responses

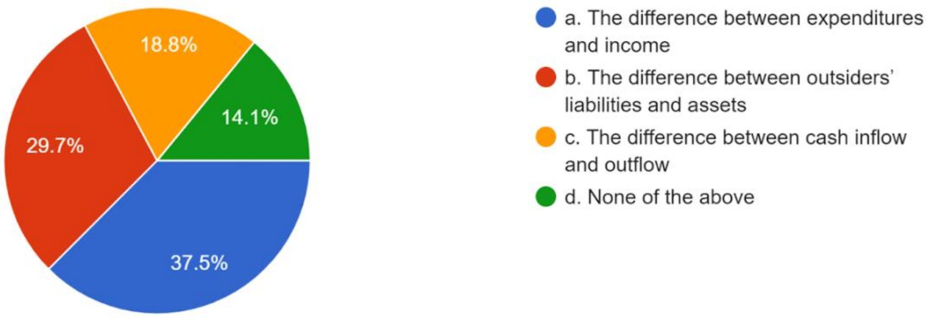


15. Suppose that in the year 2020, your income has doubled and prices of all goods have doubled too. In 2020, how much will you be able to buy with your income?
66 responses



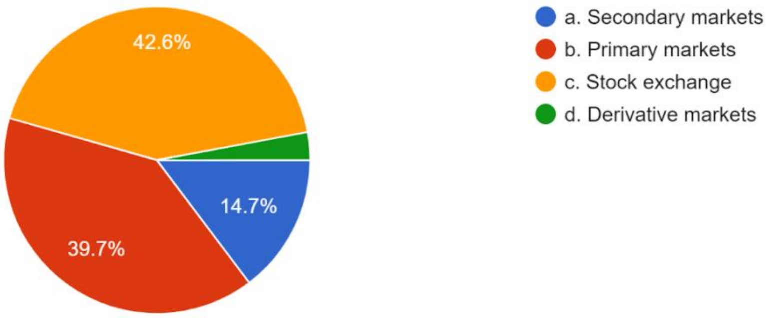
16. Net worth is:

64 responses



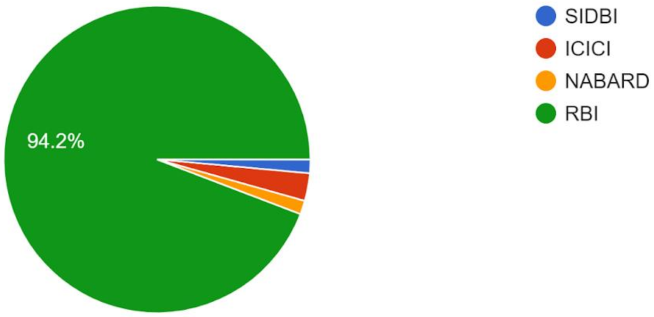
17. A company issues shares in the:

68 responses



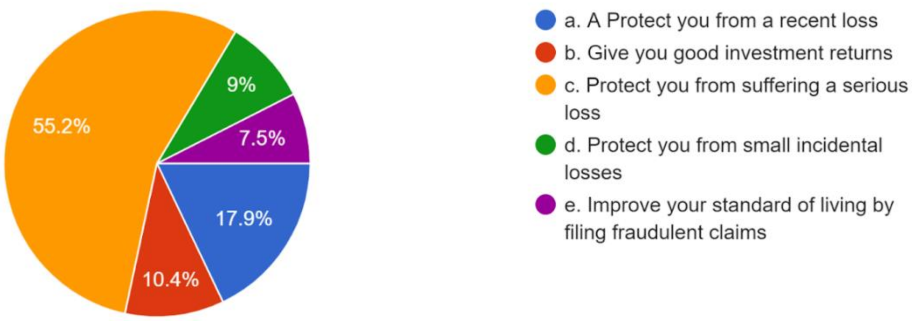
18. Who regulates the banks and financial institutions in India?

69 responses



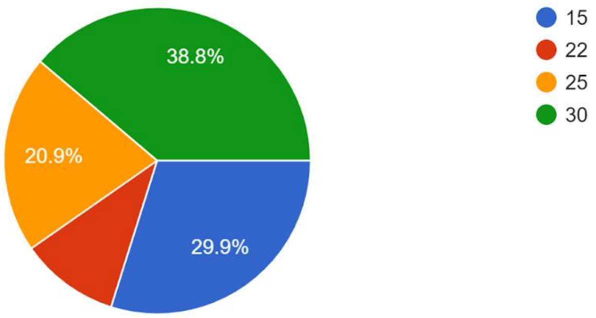
19. The main reason of purchasing insurance are to:

67 responses



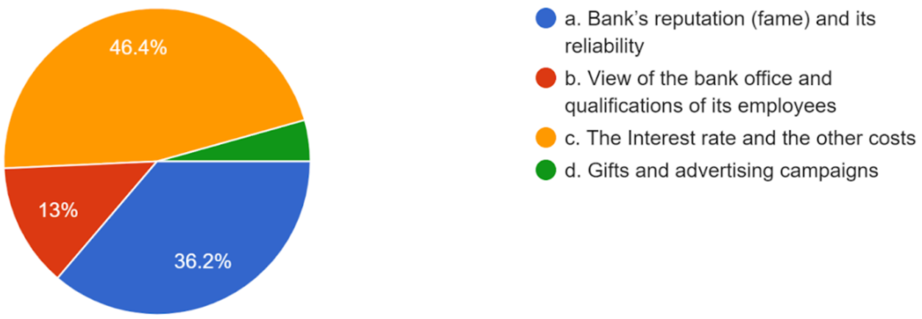
20. What is the general corporate tax rate in India?

67 responses



21. What do you think is the most important factor to consider when deciding which bank to take a loan from?

69 responses



CONCLUSION-

The matter of financial literacy is of paramount importance in contemporary times. People are increasingly drawn towards earning income, yet they **lack a serious approach when it comes to making investment decisions allocatingsavings and management of the money.** Acquiring financial literacy enables individuals to make informed investment decisions. The conclusion drawn from this study is that students ought to possess a greater understanding of investment avenues, given that they typically rely on their Father or other family members for financial matters. However, their focus is limited to a few investment and saving avenues, specifically bank and post office fixed deposits. Their lack of proper knowledge regarding shares, mutual funds, and other investment options hinders their ability to confidently make investment decisions in these alternatives. The study has reached a conclusion indicating that the students who come from a commerce background possess a commendable level of financial literacy. This level of financial literacy is not influenced by their demographic profile. The study suggests that the curriculum offered to these students plays a significant role in addressing the issue of financial literacy among them. The courses provided to students in the field of commerce are particularly tailored to meet their specific needs and equip them with the necessary skills to handle financial products and services. However, it is recommended that the curriculum be revised in order to bridge the gap between theoretical education and practical application. It is proposed that practical training with institutions such as banks, insurance companies, and investment advisors should be made mandatory as part of their coursework. Additionally, the introduction of financial and economic concepts in interdisciplinary courses across various fields of study would enable students to effectively navigate financial products and services. Parents should also ensure that their children are involved in personal and family financial decisions from an early age, as this will contribute to their development of better financial literacy. Furthermore, it is crucial for financial sector regulators to implement and execute strategies that aim to create financial awareness and empowerment in India. These strategies should generate interest and create awareness among individuals.

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