A STUDY ON FINANCIAL LITERACY AMONG COLLEGE STUDENTS IN DELHI / NCR

Ms. Mani Goswami
Assistant Professor
DSPSR
Karan Dhawan
Student
DSPSR

Abstract
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 wellbeing and to plan for their future security. The main objective of the study is to analyse the level of financial literacy among the college students by evaluating the influence of various demographic factors like gender, age group, discipline of study, level of study, annual household income, parent's occupation and source of income to the students.

Introduction
Financial literacy is the ability to make informed judgements and to take effective decisions regarding the use and management of money. Financial literacy is therefore a combination of a person's skills, knowledge, attitudes and ultimately their behaviours in relation to money.

Financial literacy skills enable individuals to navigate the financial world, make informed decisions about their money and minimise their chances of being misled on financial matters. The need for financial literacy has become significant with the deregulation of financial markets and the easier access to credit as financial institutions compete strongly with each other for market share, the rapid growth in development and marketing of financial products, and the Government's encouragement for people to take more responsibility for their retirement incomes. Young people in particular must understand the basics of investing and planning for the future, including the relationship between risk and return and the diversity between short-term and long-term investments, and the ramifications of not planning adequately for their retirement.

In today's world which has a market with complicated products, the need for financial literacy becomes inevitable. Country like India which has high young population, the government is in a position where increasing the level of financial literacy is imperative.

Financial literacy goes beyond the provision of financial information and advice. It is the ability to know, monitor, and effectively use financial resources to enhance the well-being and economic security of an individual, his family, and his business. The OECD defines financial literacy as –"A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well being."

Financial knowledge is the understanding of interest calculations, relationship between inflation and return, inflation and prices, risk and return, and the role of diversification in risk reduction. The financial behaviour assesses how the individual deals with money. It includes prompt payment of bills, framing proper planned budgets and monitoring it, continuous saving habits etc... Financial attitude influences the behaviour of the individual. Financial attitude is the opinion of the individual about the belief in planning, their propensity to save and consume. So, the combination of financial knowledge, attitude and behaviour determines the level of financial literacy of an individual.

The paper is organized as follows. Section 2 provides a brief review of relevant literature on financial literacy. Section 3 describes the sample size and sample descriptive and methodology used for measuring the effects of various socio-demographic variables on financial knowledge. Section 4 explains the results from the Analysis of variance and Section 5 concludes.

Literature Review

Evidence from around the world presents disturbing and widespread deficiency in financial literacy. The evidence has led to the launch of financial literacy programs in many countries. While the programs vary widely in their scope and approach across countries, the underlying objectives are to improve the financial attitude, the financial behavior and the financial knowledge of individuals to enable them and their families to make choices that improve their financial well-being.

Agarwalla Sobhesh Kumar, Barua Samir, Jacob Joshy, Jayanth R. Varma (2012) conducted a study among 3000 individuals, and found that financial knowledge among Indians is very low than the International standards. But the financial behaviour and attitude of the employees and retired seems to be positive. The financial knowledge among the women are marginally high than the men. Greater access to consumption credits has influenced the financial behaviour of young employees.

Financial literacy was examined among wave11 individuals which showed that the financial literacy is low and fewer than one third of the young adult possess the basic knowledge of interest rates, inflation and risk Diversification. Financial literacy was strongly related to socio demographic characteristics and family financial sophistication. Specifically, a college educated male whose parents had stocks and retirement savings was about 45 percentage points more likely to know about risk diversification than a female with less than a high school education whose parents were not wealthy (Lusardi, Mitchell and Curto 2006).

Sages and Grable, (2009) in their study found that the individuals who has the lowest level of financial risk tolerance is the least competent in terms of financial matters, have the lowest subjective evaluation of net worth and are less satisfied with their financial management skills. The level of financial risk tolerance of the individuals determines the financial behaviour.

Ansong and Gyensare (2012) conducted a study among 250 UG and PG University students of Cape Coast reveals that the age and work experience are positively related to Financial literacy. Also, mother's education is positively correlated with respondents' financial literacy. But, level of study, work location, father's education, access to media and the source of education on money has no influence on financial literacy. Mandell (2008) made a survey among college students in 2008, Mandell calculated average accuracy rate of the questions on financial literacy by their major. From the result, the average of all respondents is 61.9%. Although the accuracy rate of Business or Economics major is 62.4% and is higher than overall average, its rate is lower than Engineering (63.2%), Science (64.0%), and Social Science (64.0%). In addition, Koshal et al. (2008) reported that the difference between Indian MBA students' grades does not show a statistically significant effect on economic literacy score.

Study by Mwangi (2012) found that financial literacy remains low in Kenya. The results indicate that households' access to financial services is not based on levels of financial literacy but rather on factors such as income levels, distance from banks, age, marital status, gender, household size and level of education. However, the study established that the probability of a financially illiterate person remaining financial excluded. The study recommends the development of a curriculum on financial education and administers it in local, middle level and higher learning institutions.

Study by Marzieh et al., (2013) revealed that the age and education are positively correlated with financial literacy and financial wellbeing. Married people and men are more financially literate. Higher financial literacy leads to greater financial well-being and less financial concerns. Finally, financial wellbeing leads to less financial concern.

Michael (2009) argues that a lack of financial literacy can hamper the ability of individuals to make well-informed financial decisions. For people who exhibit problems with financial decision making, financial advice has the potential to serve as a substitute for financial knowledge and capability.

Chen and Volpe conducted a financial literacy survey involving 924 college students from thirteen colleges and that the overall mean percentage of correct scores was just 52.87 percent. The survey examined literacy across four main areas, investigated the relationship between literacy and the student characteristics, and analysed the impact of literacy on student opinions and decisions. They found that those students with a non business major and who were female, in a lower class rank, under the age of 30 and with little work experience had lower levels of knowledge.

VISA study ranks India at the 23-rd position among the 28 countries surveyed. Their study found that the children and the young have signifi cantl y lower level of literacy compared to adults. The findings suggest that high financial knowledge is not widespread among Indians. Less than one-fourth rank among the highly knowledgeable by the OECD approach. The financial knowledge among Indians appears to be low by global standards. The basic principles of money and household finance, such as compound interest, impact of inflation on rates of return and prices, and the role of diversification are not well understood. As most personal financial decisions involve these concepts, their limited understanding is a serious matter

Research Design

A. The Objectives of the study are:

1) To find out the Financial Literacy of college students.
2) To evaluate the influence of various demographic factors like gender and education level on the level of financial literacy;
3) To give recommendations to improve financial literacy.

B. Hypotheses of the Study

H01: There is no significant difference between the levels of financial literacy of college students based on their education level and discipline.

H0 2: There is no significant difference between the levels of financial literacy of college students based on their gender.

H03: There is no significant difference between the levels of financial literacy of college students based on their age.

H0 4: There is no significant difference between the levels of financial literacy of college students based on their Annual Household Income.

H05: There is no significant difference between the levels of financial literacy of college students based on their parent's occupation.

H0 6: There is no significant difference between the levels of financial literacy of college students based on their source of income.

C. Research Methodology

A survey method was employed using a sample of 100 students of a private and government higher education institution in Delhi, NCR. All the students are in the age of 18-30 years .The study used valid and reliable scales for measuring the financial literacy through structured questionnaire. Hypothesis testing was conducted through ANOVA. The hypothesis has been tested at 5% significance level.

Result

Table 2: Results of Statistical Tests on Financial Behaviour

The result of the hypothesis testing are depicted in Table 2, along with the ANOVA. The result showed that discipline of study, Parent's occupation and Source of Income effect the financial Literacy of an individual.

Variable	F-Statistic	Significance
Gender	0.684	0.409
Age	2.189	0.140

Level of Education	1.113	0.353
Discipline of Study	3.105	0.027
Annual Household Income	0.610	0.435
Parent's Occupation	8.777	0.003
Source of Income	4.214	0.001

Conclusion

The hypothesis result showed that gender, Age, Level of Education, Annual Household Income are not significantly associated with the financial behavior of an individual. Also, discipline of study, Parent's occupation and Source of Income significantly associated with the financial behavior of an individual.

Suggestions

1.Courses in managing personal finances can be offered to students in campus. These should be made mandatory for all disciplines. These courses should provide practical experience, promoting involvement as well as transfer of knowledge and financial management skills to students.
2. Websites can be launched which offer free independent financial information to youth. These websites must be committed to educate the public on a wide range of financial topics. No jargon. No selling. Just the facts.
3. Parents can also influence the behavior of children by developing positive financial attitude like saving habits, planning, budgeting, concept of risk, return, consumer awareness etc.
4. The Reserve bank of India, which is the central bank, has been actively participating in the field of eradicating financial literacy in the country. In this context a project called "Project financial literacy "has already been implemented. The main objective of this project is to disseminate information regarding the central bank and general banking concepts. Information is distributed to the target audience through presentations, pamphlets, brochures, films, websites etc. for doing this the Reserve bank has actively engaged other agencies like commercial banks, government machinery, NGO's, schools, colleges etc

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