

## **FINANCIAL LITERACY AMONG UNDERGRADUATE AND POSTGRADUATE STUDENTS**

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### **Abstract:**

There are various reasons behind financial anxiety among Indians. One of those reasons is a lack of knowledge about financial concepts like saving, budgeting, investing, managing debts, etc. The majority of the families do not involve their children in financial decision-making which keeps them deprived of all this information. Many are making financial decisions after graduation once they start earning. Curriculums of various streams now take care of at least giving theoretical knowledge that they can implement practically. This is how awareness is being created among undergraduate and post-graduate students as it is the need of time. The present study is descriptive research that aims to systematically obtain information about financial literacy among undergraduate and post-graduate students. Using a convenient sampling technique, data from 270 samples was collected where the target population is undergraduate and post-graduate students. Using Munn Whitney test hypotheses are tested.

Major findings of the study suggest that there is no significant relationship between the current working status of students and financial literacy among them. Despite not earning, many students have their bank accounts as they are using online payment methods for fee payment and day-to-day transactions. students have shown an equal preference towards traditional modes of investment. Investing money in gold is still as popular among the new generation as it was in previous generations. Both government and financial institutions should adopt new measures where financial literacy among students can be utilized by introducing small investment avenues.

**Key Words:** Financial literacy, Budgeting, Saving, Investment, Investment Avenues.

### **1. INTRODUCTION**

The literal meaning of literacy is the ability to read and write. Literacy positively affects the well-being of a person. Similarly, financial literacy is also the ability of a person to understand and make the best use of money with money management skills. Financial literacy will improve the financial well-being of a person. A financially literate person can make the best decisions in his or her life by appropriate saving, investment, and budgeting decisions. If awareness about the use of money and its management is created at an initial stage of life then the process of financial management starts early and helps that person throughout his/her lifespan. The financially literate person will be aware of the concept, process, and uses of different financial instruments such as insurance, Bank credit, FD, RD, Post-office deposits, SIP, mutual funds, shares & equities, bonds, Pension provisions, etc.

Financial literacy and effective utilization of that knowledge will enable persons to make current as well as future decisions rationally covering future uncertainty. This skill will not only help in investing money but also help in managing expenditures. Effective management of expenses leads to more savings and investment which preserves an individual's future consumption. Financial literacy

develops current market knowledge, and awareness about current investment avenues and develops confidence in individual to roll their money in an economy effectively.

Efficient circulation of money will positively affect the circular flow of income which will help to increase overall economic activities including, production, saving, Investment, consumption, employment, etc. Together they will result in a rise in GDP which will add to the growth of a nation and improvement in the well-being of people and it will add to the country's development. Since basic literacy is rising among Indian citizens, financial literacy will be easy to create.

## 2. REVIEW OF LITERATURE

A paper titled **“The Impact of Financial Literacy Education on Subsequent Financial Behavior”** aims to discover the effectiveness of financial literacy programs run at the high school level. For this study data from 79 high school students was collected who have already completed the financial literacy course offered by their school in the last four years. The findings of the paper reveal that there is no difference in the level of knowledge related to financial activities between the students who have taken the course on financial literacy and then who have never taken the course. The objective of this study was to observe the change in behavioral patterns of students who opted for courses in making money decisions. This study raises the question of the financial literacy course's effectiveness in the long run. (Lewis Mandell and Linda Schmid Klein, 2009)

A paper titled **“Financial Literacy and The Financial Crisis”** aims to study the impact of financial literacy on the saving, investment, and borrowing patterns of Russians. Face-to-face interviews of 1'600 Russian individuals was conducted belonging to different demographic strata and different administrative regions in Russia. The finding of the study reveals that people with financial literacy access more formal financial markets whereas people who have recorded less financial literacy tend to access the informal financial sector more. Researchers also found that people with financial literacy can manage their income effectively to meet future income uncertainties or financial crises. (Leora F. Klapper Annamaria Lusardi Georgios A. Panos, 2012)

A paper titled **“Investment in Financial Literacy and Saving Decisions”** aims to find out the impact of financial literacy on the returns on investment of the person throughout their life. This model emphasizes that financial literacy is a choice that one can accumulate as same as the accumulation of other human capital. The intertemporal consumption model is proposed to interpret the cost and benefit of investing in financial literacy. Where an increase in net returns on saving is a benefit whereas time and money spent is the cost of investing in financial literacy. The finding of the study states that there is a positive correlation between financial literacy and the accumulation of wealth over the life cycle of an individual. (panel Tullio Jappelli, Mario Padula, 2013)

A paper titled **“Financial Literacy and the Need for Financial Education: Evidence and Implications”** aims to find out financial literacy around the world using financial literacy measures and suggestions to improve financial literacy. Three fundamental concepts affecting an individual's decision-making were used to find out the level of financial literacy they are, the ability to calculate returns on investment given the rate of interest, the impact of inflation rate on net returns in the future, and diversification of risk on investment. The study observes that people with financial literacy can make wise investment decisions. The findings of the study suggest that the problem of low financial literacy is universal. Even economies with developed financial markets are facing the problem of low financial literacy. Hence financial literacy is the need of the time. (Annamaria Lusardi, 2019)

A paper titled **“Impact of Financial Literacy on Financial Well-being: A Mediation Role of Financial Self-Efficiency”** aims to correlate the role of financial literacy and financial well-being among business school faculties. Using a simple random sampling technique data from 203 business school faculties was collected. The study observed a positive relationship between financial literacy and the ability to make financial decisions wisely. Since research is conducted in areas with political instability and Economic disturbance, the generalization of findings is limited. (Umer Mushtaq Lone, Suhail Ahmad Bhat, 2022)

### 3. RESEARCH GAP

The past studies show that a lot of research is done on the level of awareness about financial literacy among adults. However, less research is done on the current level of awareness about financial instruments and preferences among the young population. This research is an attempt to fill this gap.

### 4. OBJECTIVES OF THE STUDY

- 1) To study the current status of students and their preference for investment between traditional and market-linked avenues.
- 2) To observe whether the finance-related subject in the curriculum influences their financial decisions.

### 5. HYPOTHESIS STATEMENTS

$H_0$  = There is no significant relation between the current status of students and preferred investment avenues.

$H_0$  = There is no significant relation between having finance-related subjects in the curriculum and the attitude towards finance of the students.

### 6. RESEARCH METHODOLOGY

#### 6.1 Type of Research:

The study is descriptive research that aims to systematically obtain information about financial literacy among undergraduate and post-graduate students.

#### 6.2 Area of study:

The area where the study is conducted is Maharashtra state.

#### 6.3 Sampling method

To collect responses, a convenient sampling technique is used.

#### 6.4 Target Population and Sample Size:

The target population is undergraduate and postgraduate college students. The sample size is 270 college students.

#### 6.5 Type and Source of Data:

The present study is conducted using primary data that is collected through a systematic questionnaire and different websites, research papers, and reports were referred to collect secondary data.

#### 6.6 Statistical Tools Use:

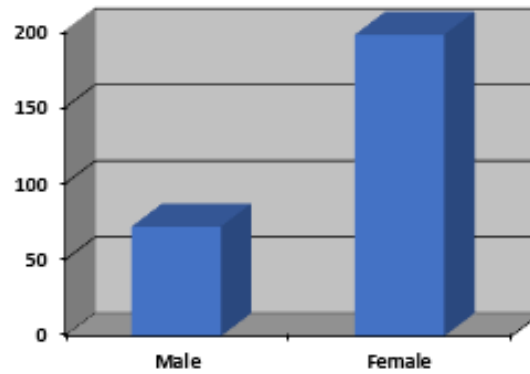
Graphs are used to organize the data for easy understanding. **Mann-Whitney U Test Statistics** is used for hypothesis testing.

### 7. LIMITATIONS

- 1) A sample size of 270 is a limitation; the findings may differ with a large sample size.
- 2) Maximum students are from the commerce stream where they learn about investment avenues in their curriculum, results may vary with other stream students.
- 3) The majority of the students belong to urban and semi-urban areas, the result may vary in rural areas.

## 8. DATA ANALYSIS AND FINDINGS OF THE STUDY

**Fig: 8.1 Gender of the respondent**

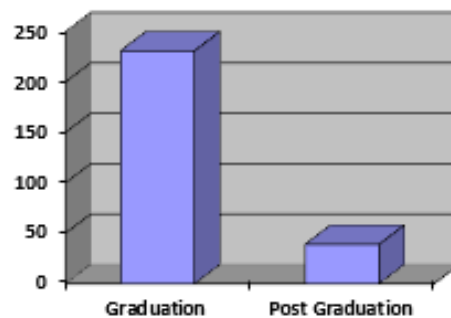


**Source:**

**Primary Data**

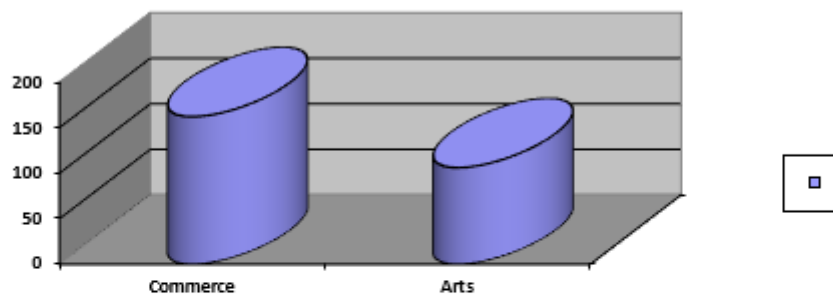
**Above table represents the gender of the respondent. 73.3% are female whereas 26.7 are male.**

**Fig: 8.2: You are studying at**



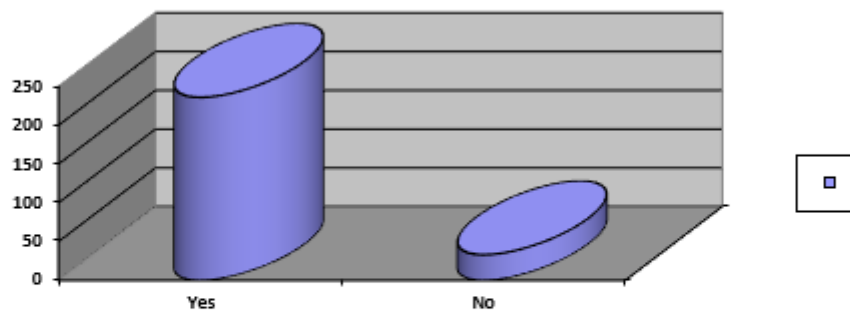
**Source: Primary Data**

**The above table represents the educational status of the students. 231 of the students are studying at the undergraduate level. 39 studying at the post-graduate level.**

**Fig: 8.3: Stream you belong to**

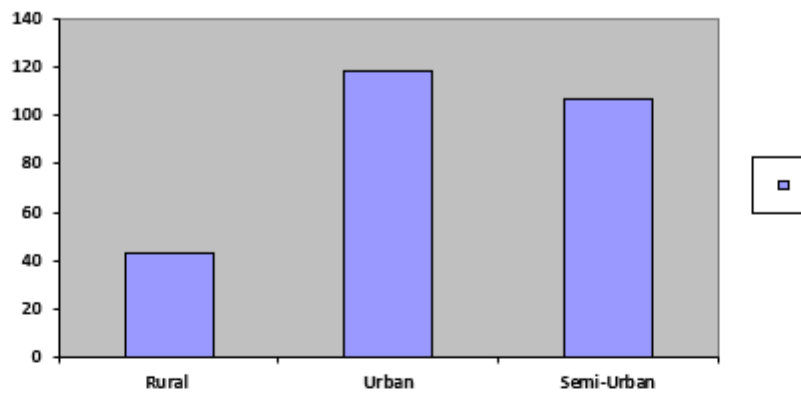
**Source: Primary Data**

**The above graph shows the stream to which students belong. 162 students belong to the Commerce stream whereas 106 belong to the Arts stream.**

**Fig: 8.4: Do you have finance related subject?**

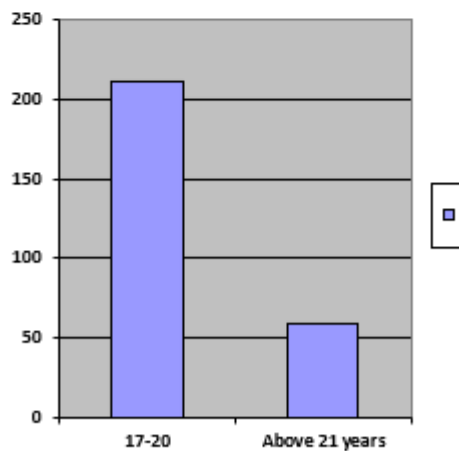
**Source: Primary Data**

**The above graph is about whether students have any finance-related subject in their curriculum. 236 said Yes and 33 students replied No.**

**Fig: 8.5: Area you come from**

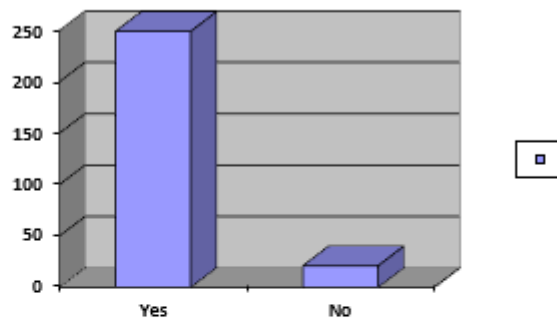
**Source: Primary Data**

**Above chart reveals that 43 students come from rural area, 118 from Urban and 107 come from Semi-Urban area.**

**Fig: 8.6: Age of the respondents**

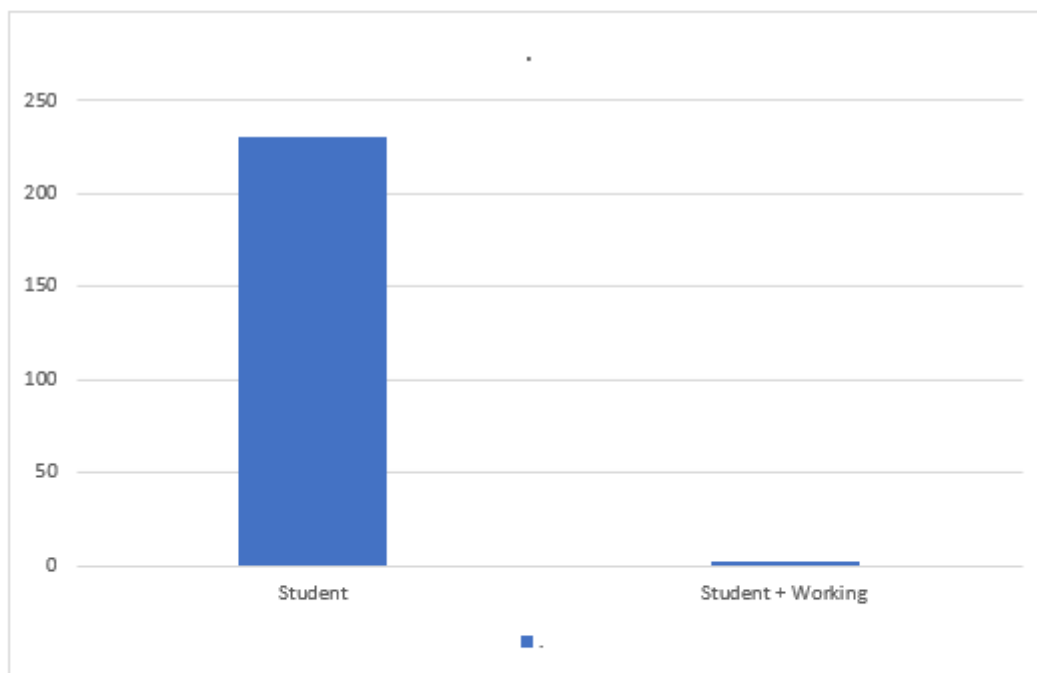
**Source: Primary Data**

The graph states that 211 students are lying between the age group of 17-20. Students from the age group of above 21 years are 59.

**Fig: 8.7 Do you have a bank account?**

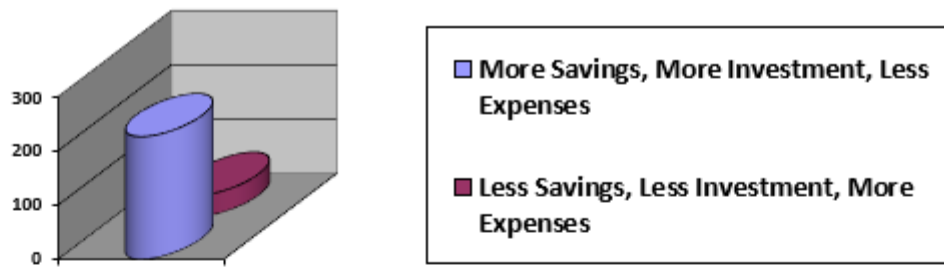
Source: Primary Data

The graph represents whether the students have a bank account or not. Out of 270 students, 249 hold bank accounts whereas 21 do not have any kind of bank account.

**Fig. 8.8 Current status of the students**

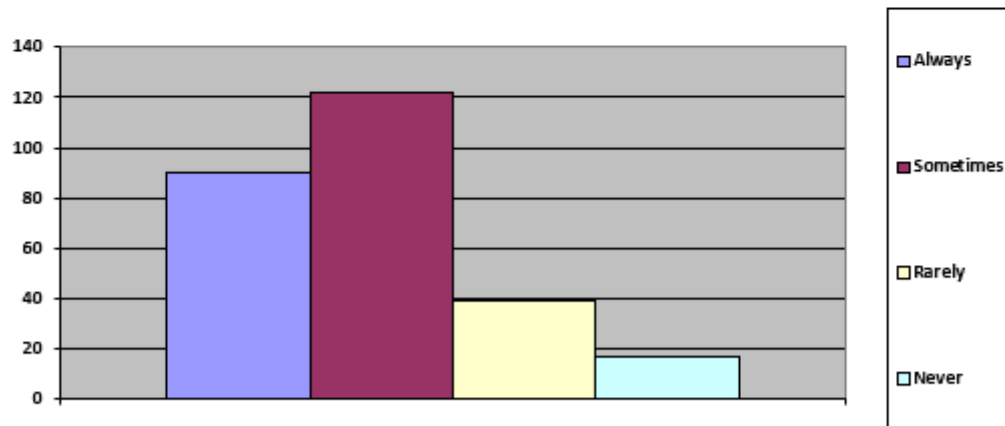
Source: Primary Data

Above chart reveals that 230 students are studying only whereas only 40 students are studying as well as working.

**Fig.8.9: Describe you more from following**

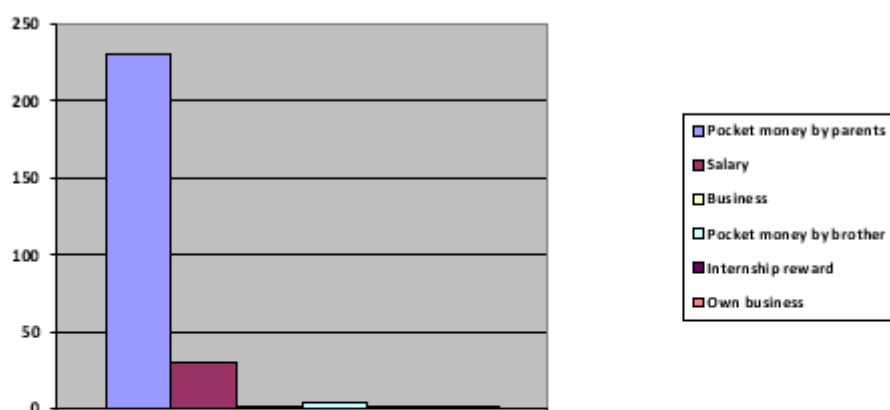
Source: Primary Data

The above graph represents the preferences of the students. 226 students believe that more saving will encourage investment and discourage spending and vice versa 39 students believe in less saving and more spending.

**Fig 8.10. Do you like to attend finance-related workshops/ seminars?**

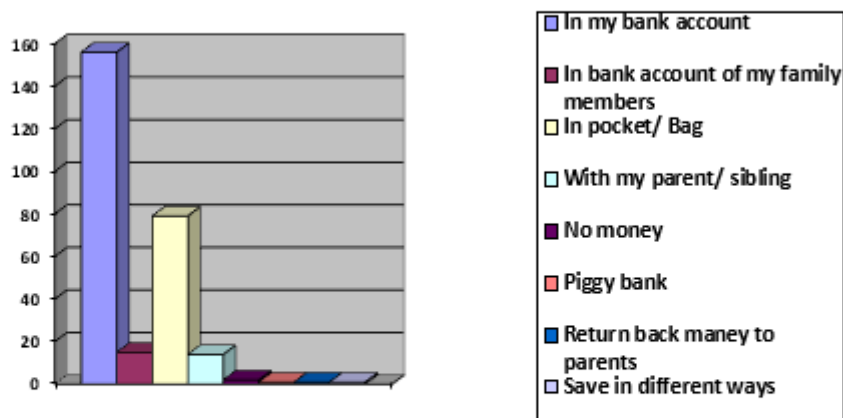
Source: Primary Data

The above data shows students' likeliness to attend finance or investment-related programs. 122 students sometimes like to attend the session whereas 90 are always ready to attend. 17 students never like to attend such programs.

**Fig: 8.11 Source of income/money to the students**

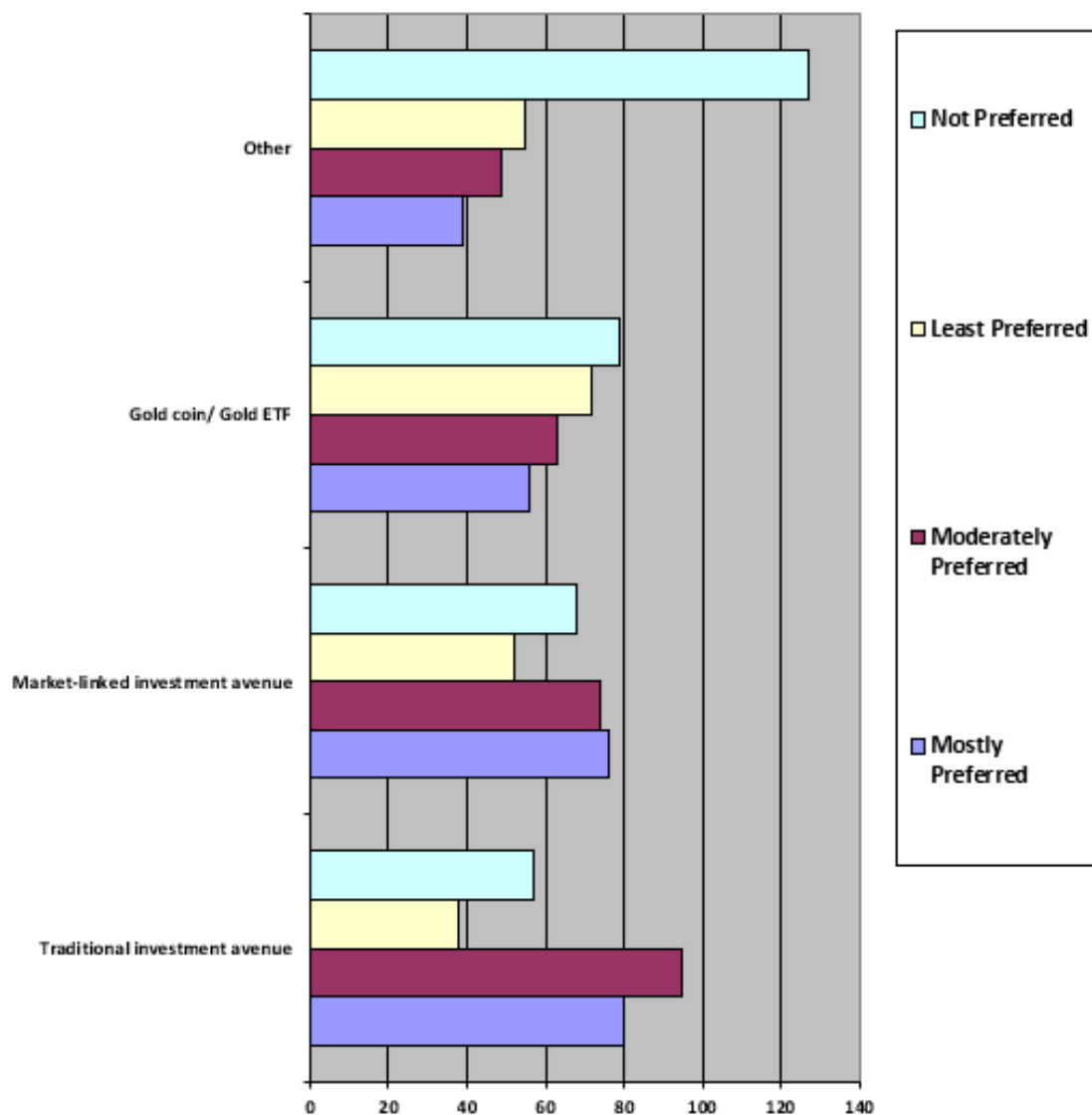
Source: Primary Data

The above graph shows that the maximum number of students are depending on their parents for their monetary needs is 230 students. 30 students are earning and learning for them salary is a source of income. 2 students have their businesses where they earn money, 2 students have internship stipends whereas 4 students get pocket money from their brothers.

**Fig. 8.12 Where do you keep your saved money?**

Source: Primary Data

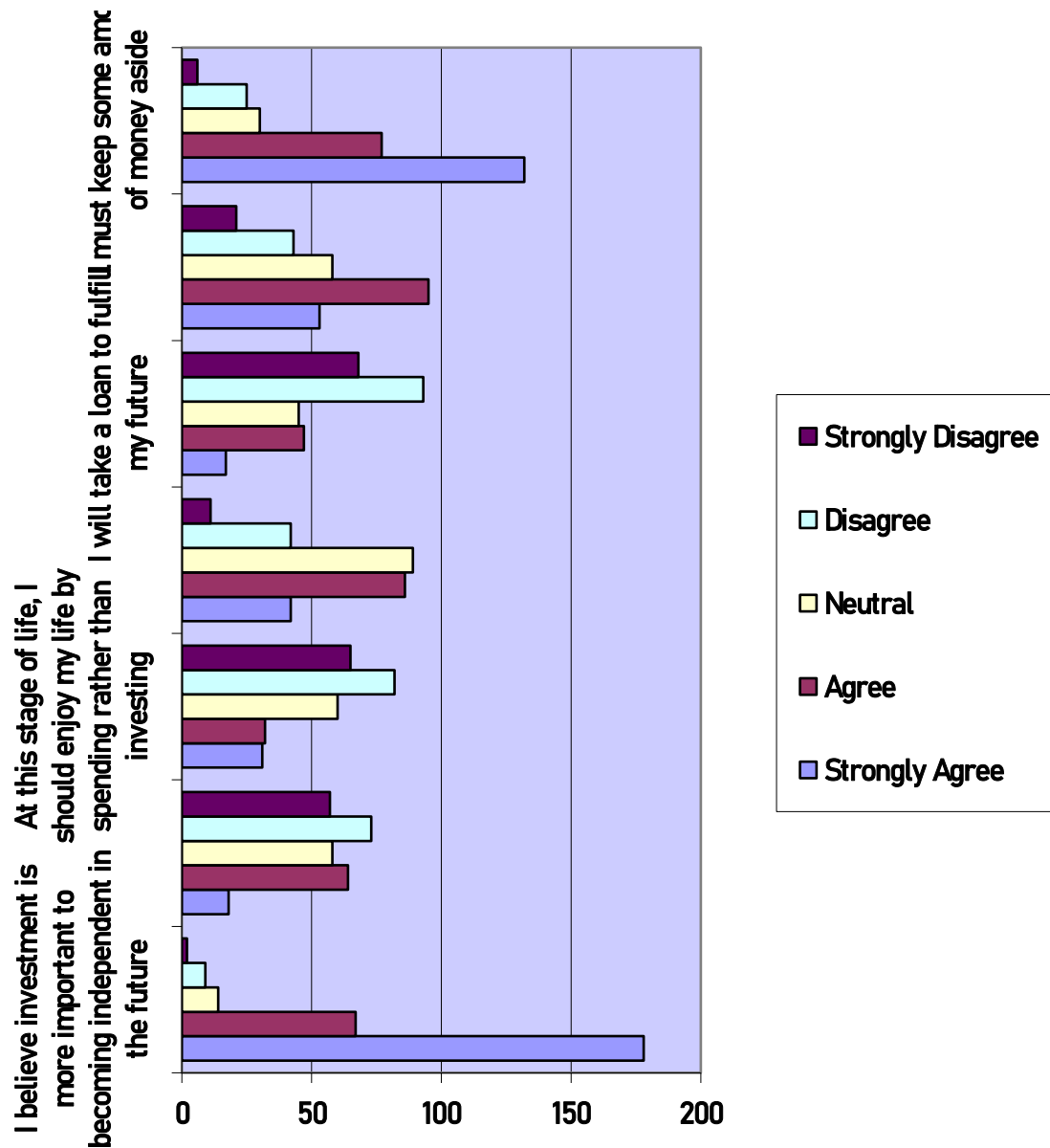
The above chart shows the majority of the students that is 156 prefer to keep their money in their bank account followed by keeping money in pockets and bags. Returning money, and keeping it in the piggy bank is the least preferred where only one student does that.

**Fig. 8.13 Where do you prefer to invest your money?**

Source: Primary Data

The above graph shows that Traditional investment avenues and Market-linked investment avenues are highly preferred by 80% & and 76% and moderately preferred by 95% & and 74% respectively. Other investment options are least preferred.

Fig. 8.14 Express your opinion on following aspects



Source: Primary Data

The above graph represents the perspective of students towards saving, investment, and money matters. One statement on which 178 students strongly agree is investment is more important to become financially independent in the future. On the other hand, 161 students disagree with fulfilling future needs by taking loans.

## 9. HYPOTHESIS TESTING

$H_0$  = There is no significant relation between the current status of students and the preferred investment avenue

### Mann-Whitney U Test Statistics

|                        | Traditional Investment Avenue (FD, RD, Gold ornaments, Insurance, PPF) | Market Investment Avenue (Shares, Debentures, Bonds, Mutual Funds) | Linked Investment Avenue (Gold Coin / Gold ETF) | Other     |
|------------------------|--|--|---|-----------|
| Mann-Whitney U         | 3913.000   | 4127.000   | 3782.000  | 3869.000  |
| Wilcoxon W             | 30941.000  | 4868.000   | 30810.000                                       | 30897.000 |
| Z                      | -1.158   | -.652  | -1.451  | -1.289    |
| Asymp. Sig. (2-tailed) | .247   | .515   | .147  | .197      |

a. Grouping Variable: Studying In

To test above hypothesis Mann-Whitney U is applied. The test statistics show that p-value for all the factors considered under preferred investment avenues is more than 0.05. Therefore, the null hypothesis is accepted i.e. There is no significant relation between current status of students and preferred investment avenue.

It can be concluded from the above statistics that

- UG and PG students prefer to invest in Traditional Investment Avenue (FD, RD, Gold ornaments, Insurance, PPF)
- UG and PG students have mixed reaction about investment in Market Linked Investment Avenue (Shares, Debentures, Bonds, Mutual Funds)
- UG and PG students have mixed reaction about investment in Gold Coin / Gold ETF
- UG and PG students have do not prefer to investment in other investment avenues

$H_0$  = There is no significant relation between having finance-related subject in the curriculum and the attitude towards finance of the students.

### Mann-Whitney U Test Statistics

|                | I believe investment is more important to be independent in the future | I'm less worried about finances because my parents have invested me | I feel at this age I should enjoy my life by doing more shopping, entertainment | I have enough knowledge to save/invest my money | I will take loan to fulfil my future needs | My earnings are very little to think about investing now | I should always compulsorily keep aside (saving) some portion of my income |
|----------------|--|---|---|---|--|--|--|
| Mann-Whitney U | 3135.000   | 3368.500  | 3453.500  | 3826.000  | 3718.500                                   | 3646.500   | 3631.000   |

|                               |           |          |          |          |          |           |           |
|-------------------------------|-----------|----------|----------|----------|----------|-----------|-----------|
| <b>Wilcoxon</b>               | 31338.000 | 3929.500 | 4014.500 | 4387.000 | 4279.500 | 31849.500 | 31834.000 |
| <b>Z</b>                      | -2.266    | -1.326   | -1.123   | -.211    | -.473    | -.654     | -.733     |
| <b>Asymp. Sig. (2-tailed)</b> | .023      | .185     | .261     | .833     | .637     | .513      | .464      |

a. Grouping Variable: Do you have finance related subjects?

To test above hypothesis Mann-Whitney U is applied. The test statistics show that p-value for all the factors considered under attitude of students towards finance is more than 0.05. Therefore, the null hypothesis is accepted i.e. There is no significant relation between class studying and attitude towards finance of the students.

It can be concluded from the above statistics that

- Both the category of students i.e. those who have finance related subjects and those who do not have – agree with the statement “I believe investment is more important to be independent in the future”
- Both the category of students i.e. those who have finance related subjects and those who do not have – have mixed reaction about the statement “I’m less worried about my finance because my parents have invested for me”
- Both the category of students i.e. those who have finance related subjects and those who do not have – disagree with the statement “I feel at this age I should enjoy my life by more shopping, entertainment”
- Both the category of students i.e. those who have finance related subjects and those who do not have – agree with the statement “I have enough knowledge to save/invest my money”
- Both the category of students i.e. those who have finance related subjects and those who do not have – disagree with the statement “I will take loan to fulfil my future needs”
- Both the category of students i.e. those who have finance related subjects and those who do not have – agree with the statement “My earnings are very less to think about invest now”
- Both the category of students i.e. those who have finance related subjects and those who do not have – agree with the statement “I should always compulsorily keep aside (Saving) some portion of my income”

## 10. CONCLUSION

Major findings of the study suggest that there is no significant relationship between the current working status of students and financial literacy among them. Even though students are not earning income on their own and relying on their parents for their financial needs, they have enough knowledge about saving, investment, and uses of money. One of the reasons behind their financial literacy could be most of them belong to urban and semi-urban areas where financial infrastructure is good and people are quite aware of their use. Despite not earning, many students have their bank accounts as they are using online payment methods for fee payment and day-to-day transactions. Hence proven that digital literacy is also enough among them. However, students are least interested in attending financial literacy programs as they cannot implement their knowledge since do not earn and depend on pocket money which is less to do other investment tasks.

Despite having a high preference for modern investment avenues of investment, students have shown an equal preference towards traditional modes of investment. Investing money in gold is still as popular among the new generation as it was in previous generations. Even though the majority of students are not earning, they are aware of the benefits of saving and hence they believe everyone should keep some amount of money aside irrespective of the amount they earn. The survey conducted among current graduate and postgraduate students reveals a high amount of financial literacy among

students, and they think that saving today will save them tomorrow. Both government and financial institutions should adopt new measures where financial literacy among the students is utilized by introducing small amount investment avenues through which students will develop the habit of saving and diversifying their investment in different avenues and enabling them to make rational financial decisions throughout their life.

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