

A Study on Financial Literacy Among College Students

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Abstract:

Financial literacy has become a basic life skill which helps in getting financial freedom. The study seeks to explore the financial literacy level of college students who are in stage of transition from financial dependence to financial independence. It also finds out the factors that shape their financial literacy. The study adopts a descriptive and analytical approach where the primary data is collected through structured questionnaires from 105 college students. The statistical tools like percentages, mean, standard deviation, one-way ANOVA, independent sample t test and correlation analysis were used for data analysis. The results show that there is a positive relationship between financial literacy and the confidence in making personal financial decisions. The study is important as it tries to gain information about the students' level of financial awareness and behaviour, and also helps in knowing their attitude towards financial literacy.

Keywords — Financial literacy, Financial awareness, Financial behaviour, Financial Education

I. INTRODUCTION

In the changing scenario of financial markets and the rise of consumerism, financial literacy has become an important life skill. In fact, financial literacy is the key to financial freedom. It plays a vital role in individual empowerment and economic well-being. Financial literacy refers to the ability of a person to understand and use various financial skills effectively including budgeting, saving, investing, credit management etc. "Financial literacy is a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve financial wellbeing." – (Atkinson and Messy, 2012)

Managing money properly and wisely has become a necessity for everyone especially among college students who are in a transition stage from financial dependence to financial independence. Also with the wider access to digital payments, student loans, credit and various investment platforms, the students have to face numerous

financial decisions. However, lack of foundational knowledge is a barrier for many students to make better financial decisions. They often struggle with managing their income, expenses, and may fall into debt or miss out their opportunities to make early savings and investments. Poor financial decisions taken during this stage can lead to long-lasting impact like poor credit scores, insufficient savings, debt accumulation.

In a country like India, where youth population forms a major part, it is required to understand the financial literacy level of the student community. Even though there are national efforts (through the initiatives by RBI, SEBI) to improve financial education, the youngsters remain financially unaware. So, understanding the financial awareness, knowledge, attitudes and behaviour of college students helps in getting valuable insights into the present situation and this will in turn helps in formulating effective strategies to improve financial literacy among young people.

This study aims to explore the level of financial literacy among college students and find out the factors that influence their financial literacy level.

II. RATIONALE OF THE STUDY

Rapid changes in financial markets make it more complex and difficult for the common man to cope up with. For this they have to be equipped with necessary information and knowledge about the changes, so in such a situation the need for financial literacy arises. College life is a phase where students begin to make their financial decisions either on their own or with the guidance from others. The study is relevant as it tries to find out where the students stand when it comes to financial awareness and behaviour, and also helps in understanding their attitude towards financial literacy.

III. LITERATURE REVIEW

(Ninan & Kurian, 2021) examined the impact of various demographic variables such as gender, income and education/type of course on financial literacy among Indian college students. The study reveals that demographic factors significantly influence financial literacy levels. This study also emphasizes the need for considering demographic diversity while designing financial literacy programmes tailored for Indian students. In addition to these factors, the relationship between financial literacy and financial behaviour has also been explored by (Ninan & Kurian, 2021). Their findings suggest that higher financial literacy correlates with better financial management practices, although the strength of this relationship can vary based on individual characteristics. This underscores the necessity for comprehensive financial education that not only imparts knowledge but also influences behavioural change. It has also been found out that family and friends mainly influence the students in managing their money.

(Rani & Siwach, 2023) offers a broad review of financial literacy in India, consolidating various research findings and emphasizing the general lack of financial literacy among Indian college students.

This review points to a persistent gap in financial knowledge, which hampers students' ability to make informed financial decisions. The study finds out that most college students requires assistance in managing their funds.

(Sarat et al., 2019) evaluates the relationship between financial literacy level and financial behaviour of undergraduates and postgraduates in Bangalore. The study found significant relationships between financial literacy and student characteristics, based on gender and qualification. They also suggest providing financial literacy programmes for students especially via online educational platforms.

IV. OBJECTIVES OF THE STUDY

- To assess the level of financial literacy among college students.
- To assess whether the college students know about basic financial concepts like saving, budgeting, and investing.
- To identify key factors influencing students' financial literacy (e.g., family, education, social media).
- To find out students' attitudes toward financial literacy and their perceived confidence in financial decision-making.

V. HYPOTHESES OF THE STUDY

- H_0 : There is no significant difference in the mean financial literacy scores of students among different field of study.
- H_0 : There is no significant relationship between financial literacy and confidence in making personal financial decisions among college students.
- H_0 : There is no significant difference in the attitudes and perceptions towards financial literacy among male and female students.

VI. RESEARCH METHOD

The study adopts a practical approach which is descriptive and analytical in nature. Both primary data and secondary data were used in this research. The primary data was collected, through structured questionnaires (sent via Google Forms),

from 105 college students in Kottayam Taluk using convenience sampling technique. The secondary data was obtained from journals, websites etc. For data analysis and interpretation, statistical tools like percentages, mean scores, standard deviation, one-way ANOVA, independent sample t test, correlation analysis were used with the help of MS Excel & SPSS.

VII. LIMITATIONS OF THE STUDY

The sample size taken for the study is limited and is confined to college students in Kottayam taluk only. Reliability of the study depends greatly on the reliability of information provided by the respondents. Respondents bias cannot be eliminated. In addition, this study is limited by the complexity of financial literacy, that requires a multifaceted approach which considers various influencing factors, and that may not be fully explored in this research.

VIII. DATA ANALYSIS AND INTERPRETATION

Analysis of data has been done using Percentage, Arithmetic Mean, Standard Deviation, One-Way ANOVA, Independent t- test and Correlation analysis.

Table 8.1 (Source – Primary Data)

Descriptive Statistics for Factors shaping Financial Literacy			
	N	Mean	Std. Deviation
Parental guidance/Family influence	105	3.70	1.381
Financial education in school/college	105	3.81	1.256
Peer influence	105	3.39	1.181
Social media contents and platforms	105	3.16	1.272
Internet/YouTube/Online resources	105	3.49	1.264
Practical experience(e.g.- managing an account, making purchases etc.)	105	3.88	1.269
Awareness about student loans, credit cards , other related schemes etc.	105	3.81	1.302
Financial literacy campaigns/ government programs	105	3.65	1.337
Availability of financial literacy content in regional language	105	3.72	1.197
Presence of role model who is financially aware	105	3.62	1.289

Table 8.1 shows factors that are considered important in shaping financial literacy among the respondents.

Table 8.2 (Source- Primary Data)

		Mean	Standard Deviation
Financial Literacy Awareness and Behaviour	Heard of term 'Financial Literacy'	2.72	0.596
	Understand concepts of Budgeting, Saving, Investing, Credit etc.	2.65	0.571
	Tracks income and expenses	2.09	0.774
	Attends courses/ workshop/ seminar on financial literacy	1.51	0.878
	Uses apps / tools to manage money	1.40	0.702
Financial Literacy Attitudes and Perceptions	Belief about importance of financial literacy for future	2.86	0.426
	Interest in attending a financial literacy course	2.23	0.711
	Confidence in making personal financial decisions	2.38	0.611
	Colleges should include financial literacy in curriculum	4.12	0.874
	Social media helped in improving financial literacy	2.18	0.647

Hypothesis Testing

Hypothesis – 1

H₀: There is no significant difference in the mean financial literacy scores of students among different field of study.

Table 8.3 (Source – Primary Data)

	Frequency	Percent
Commerce	32	30.5
Science	21	20.0
Arts/Humanities	41	39.0
Others	11	10.5
Total	105	100.0

Table 8.3.1

ANOVA					
FLSCORE					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.188	3	.729	5.884	.001
Within Groups	12.522	101	.124		
Total	14.710	104			

Table 8.3 shows the frequency and percentage of respondents on the basis of their field of study. A one –way ANOVA test was carried out to compare the financial literacy scores across different fields of study (Commerce, Arts, Science & Others). The p value is less than significance level (0.05), so the null hypothesis is rejected. There is a significant difference in mean financial literacy scores of college students among different field of study.

Hypothesis-2

H₀: There is no significant relationship between financial literacy and confidence in making personal financial decisions among college students.

Table 8.4

Correlations			
		FLSCORE	Confidence in making personal financial decisions
FLSCORE	Pearson Correlation	1	.327**
	Sig. (2-tailed)		.001
	N	105	105
Confidence in making personal financial decisions	Pearson Correlation	.327**	1
	Sig. (2-tailed)	.001	
	N	105	105

** . Correlation is significant at the 0.01 level (2-tailed).

A Pearson's correlation test was conducted to examine the relationship between financial literacy scores of college students and their confidence in making financial decisions. Here, the p value is significant at 0.01 level, thus the null hypothesis is rejected. The results indicate that there is a moderate positive correlation between financial literacy and confidence in making financial decisions. This suggests that higher

financial literacy is associated with greater confidence in financial decision making.

Hypothesis-3

H₀: There is no significant difference in the attitudes and perceptions towards financial literacy among male and female students.

Table 8.5

Group Statistics					
	Gender	N	Mean	Std. Deviation	Std. Error Mean
FL_ATT_PER	Female	65	2.8123	.34799	.04316
	Male	40	2.6600	.37128	.05870

Table 8.5.1

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2 -tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
FL_A TT_P ER	Equal variances assumed	.161	.689	2.112	103	.036	.15231	.07174	.01003	.29459
	Equal variances not assumed			2.095	78.572	.040	.15231	.07286	.00726	.29735

An independent sample t- test was done to compare the attitude and perception towards financial literacy among male and female respondents. Levene's test showed equality of variances and the p- value (0.036) is less than significant value (0.05), so the null hypothesis is rejected. This shows that there is a significant difference in the attitudes and perceptions towards financial literacy between male and female respondents.

IX. FINDINGS

The findings of the study reveal the results of the data analysis carried out. A total of 105 respondents participated, out of which 61.9 % are female respondents and the rest male respondents.

The hypothesis testing shows that there is significant difference in the attitudes and perceptions towards financial literacy among male and female students. Most of the respondents belong to undergraduate category and many of them (68.6%) do not have any source of income on their own (via part- time jobs, stipend, allowance etc.). It has been observed that around 69.5% of students understand the basic financial concepts like budgeting, investing and savings. Majority of the students considered practical experience as an important factor in shaping financial literacy, followed by financial education in school/ college and awareness about student loans, credit cards etc. 48.6% of students are confident to some extent and 44.8 % are fully confident in making financial decisions. Further, it is found that there is a significant relationship between financial literacy and confidence in making personal financial decisions among college students. The research also indicates a significant difference in the mean financial literacy scores of students among different field of study. Besides, the study reveals that the respondents recorded financial literacy scores between 1.00 and 3.00, with a mean of 2.13 (SD= 0.38), thus reflecting a moderate literacy level.

X. SUGGESTIONS

Based on the study, here are some suggestions for improving financial literacy among college students. Colleges/ schools can take initiatives in this by offering seminars/ workshops/ short term courses on financial literacy and can motivate the students to actively participate in these irrespective of their field of study. Peer- to- Peer learning through club / discussion forums etc. can also encourage the students to learn from each other and share their knowledge and experiences. Influence from family and friends greatly influence their financial awareness, attitude and behaviour. So the involvement of parents and friends is important and they should try to discuss openly about managing money, budgeting, saving etc. The government can also conduct financial literacy awareness programmes/ campaigns integrating the latest financial and technological concepts in order to provide basic knowledge about the recent changes

in the Indian financial market. Social media platforms are also a great tool to spread financial awareness among the students since most of them spend a lot of time in social media. So the financial literacy content can be delivered in the form of short videos, quizzes, games, contest or through any other mode. In this study, most students considered practical experience as a key factor in shaping their financial literacy. Thus, using techniques like role plays/ real life simulations (e.g.-financial planning games, mock investments etc.) can enhance their learning about money and financial matters more interesting and remarkable.

XI. CONCLUSION

Managing money and making decisions is not an easy task, for this relevant, accurate and timely information is required. In the case of college students, they are in a phase where they take their first steps into financial freedom. There are various factors which influence their financial decisions. The study tried to find out the level of financial literacy among the college students and the most important factors that shape their financial awareness and knowledge. From this study, it can be concluded that the students have a moderate level of financial literacy, and considers practical experience, financial education from colleges/ schools, parental guidance etc. as the vital factors that shape their financial literacy. It is also clear from the study that there is a positive relationship between financial literacy and the confidence in making personal financial decisions. This in turn, shows the necessity of financial literacy. Building a healthy financial habit and acquiring sound financial skills equips the students in handling their future challenges, helps in reaching their goals and make their dream into reality.

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