Exploring Financial Literacy Levels: Insights from College going Students of Gujarat State

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Abstract: The development of financial inclusion and, eventually, the maintenance of financial stability in India depends heavily on financial literacy. Financial literacy is a change agent for financial inclusion, according to the RBI's agenda. The RBI wants to raise public knowledge of financial services and products. The daily financial market will grow increasingly complex since financial products and services are a concern. Which role do the pupils play? Do they have the requisite skills to make sound financial decisions? Can they anticipate their demands in terms of money? How do they take care of their money needs? Educating yourself on finances is one way to answer their questions. The degree of financial literacy among Gujarati college students is being investigated by a researcher using a straightforward random sampling approach. Students performed averagely in financial knowledge and, the researcher concluded that their level of financial literacy is average. Financial planners and friends have less of an influence on financial understanding than environmental factors like parents and life. Students' financial attitude and conduct are significantly influenced by their average financial literacy, which correlates with these factors.

Keywords: Financial Knowledge, College Students , Financial Attitude, Financial Literacy, Financial Behaviour.

I. INTRODUCTION

Researchers and politicians have shown a great deal of interest in the topic of financial inclusion. For five target groups, including farmers, the RBI has created customised financial literacy materials that trainers may use in financial literacy initiatives.(RBI, RBI). One of the key pillars of financial inclusion is banking, and the Indian banking system is made up of public, private, foreign, RRB, and cooperative (rural and urban) sector banks. As banking and financial systems continue to expand via digitisation, more financial goods and services are offered, creating a wide range of job opportunities. Therefore, it's critical to understand the current status of the nation's young. Are young people in India prepared to enter the financial industry or provide services? Do they know about every financial service or product on the market? Do they know about modern banking and how it relates to his life? The researchers want to determine how financially literate Gujarati college students are in order to answer all of the aforementioned issues.

II. LITERATURE REVIEW

Financial literacy encompasses three key components: financial knowledge, financial behavior, and financial attitude.The word "financial knowledge" describes one's comprehension of financial terms, concepts, and principles. It entails understanding financial concepts such as financial planning, debt management, investing, saving, and budgeting. Strong financial knowledge increases a person's ability to comprehend the consequences of financial products, make wise financial decisions, and successfully handle challenging financial circumstances. This section concentrates on an individual's knowledge of finance, including knowledge of interest rates, risk diversification, tax consequences, and financial regulations.

Financial conduct is the term used to describe the choices and actions people make regarding their money. It covers how they handle debt, save, invest, and make spending decisions. Consistent saving, cautious investing, prudent spending, and debt management are examples of positive financial behaviors. Negative financial practices, on the other hand, can result in excessive debt, overspending, or insufficient savings. One's financial well-being can be greatly impacted by their financial conduct, which is an expression of how one applies their financial knowledge in real-world situations.

A person's views, feelings, and behaviors about money and financial matters are referred to as their financial attitude. It covers their entire financial thinking, risk tolerance, and financial ambitions. Having a healthy relationship with money, being proactive in financial planning, and setting clear financial goals are all components of positive financial attitudes. Financial risk aversion, financial planning avoidance, and hasty spending are examples of negative attitudes. A person's attitude toward money

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greatly influences their financial conduct. People who have a positive outlook are more likely to strive for their financial objectives and make wise financial judgments.

In summary, financial literacy comprises a combination of knowledge, behavior, and attitude. To be financially literate, individuals should not only acquire financial knowledge but also apply it through responsible financial behavior and cultivate a positive financial attitude. This holistic approach to financial literacy can lead to improved financial well-being and better financial decision-making.

Sociodemographic factors such as gender, age, education, home condition, and financial knowledge/attitudes were examined in an ANZ study on adult financial literacy in Australia in order to potentially provide light on variations in people's financial literacy levels. They came to the conclusion that elements including impulsivity, financial self-efficacy, financial aspiration, and financial attitudes that understand that handling money is stressful. (ANZ, 2015)

It would be unrealistic to expect people or families with limited financial literacy to handle different risks and be responsible in an uncompetitive financial market(OECD, 2009). It is particularly sensitive in developing nations such as India, where there is a considerable portion of the populace with limited exposure to the official financial system despite the country's expanding economic and financial development and availability of composite financial products.

Individuals with below-average financial literacy face long-term issues that can have a significant negative impact on their financial security. In the event of a financial emergency, the average Indian has no more savings than three months' worth. Over the past few years, there has been a decline in the overall domestic savings rate, primarily as a result of higher consumer expenditure (Nayak, 2012). Furthermore, taking credit has become more common, particularly when it comes to consumption. There is a greater reliance on unofficial sources of finance, and personal debt has always existed.

The Reserve Bank of India (RBI) has been making a concerted effort to raise the nation's level of financial literacy. The OECD's stated goal is to help consumers get the knowledge and self-assurance they need to make better decisions, know where to find support, and take other practical measures to enhance their financial well-being by increasing their awareness of financial risks and possibilities (OECD, 2005). RBI created Financial Literacy and Counseling Centers (FLCC) to provide consumers with the knowledge and resources they need to make better credit decisions. On the other hand, the RBI survey reveals that people are not very responsive to these centers. Additionally, the centers' teaching resources don't really go beyond the advertising materials specific banks provide (Nayak, 2012). Financial education programs should focus on areas where financial competence is poor, as indicated by data on existing levels of financial understanding. Therefore, the degree of financial literacy should be a top concern for nations looking to effectively impart financial education and assess its effects at the village level. Policymakers should be able to determine demand areas for different financial literacy features and prioritize which groups of individuals most require assistance by using a number of dimension exercises(Atkinson & Messy, 2012).

A person's seeming control over their financial choices and decisions is acknowledged by financial literacy. Individuals won't exhibit established financial behaviors unless they believe they are valuable, which exposes their mindset and gives them power over these behaviors. Therefore, one may claim that, despite having financial information, an individual's attitude—which serves as the study's foundation—will determine their actual financial conduct.

III. STUDY OBJECTIVES

The following objectives form the foundation of this study:

- To ascertain the college students' degree of financial knowledge, attitude, and behavior.
- To ascertain the relationship between college students' financial behavior, attitude, and knowledge.
- To investigate how environmental influences affect students' financial literacy.

IV. RESEARCH METHODOLOGY

The degree of financial literacy among Gujarati college students is investigated using an exploratory study approach. Gujarati college students make up the researcher population. The researchers gathered 800 student responses from different parts of Gujarat using the practical non-probability sampling technique. The OECD's Measuring Financial Literacy questionnaire served as the basis for the poll.The survey was divided into five sections. The demographic factors in the first section include parent's income, education, marital status, age, gender, and field of study. Ten questions about financial attitudes are included in the second section to assess the financial attitude variable using a Likert scale. Eight questions about financial behavior are included in the third section to assess financial behavior variables on a Likert scale. Ten financial knowledge items were introduced in the fourth section to assess the financial knowledge variable. Net worth, interest rates, checks, loan and lease agreements, credit bureaus, and the time value of money are just a few of the topics covered in the questions. Each question is scored based on its % corrected score; a correct response receives one mark, while an incorrect response receives zero. The result is converted into a percentage of the correct response. Environmental factors that impact students' financial literacy or awareness are covered in the last section.

A. *Hypothesis of the study*

A researcher is studyinghypothesis as, H_{0x} as Null hypothesis for x variable and H_{1x} as an alternative hypothesis for x variable.

1 H_{o1}: There is no significant association between financial knowledge, financial attitude & financial behavior

H_{11}: There is a significant association between financial knowledge, financial attitude & financial behavior

3 H_{o2}: There is no significant association between financial knowledge& environmental factors.

H_{12}: There is a significant association between financial knowledge &environmental factors.

B. *Technique of Data Analysis*

For finding correlations among variables, various methods are used. In this case, variables are qualitative as well as quantitative hence Karl Pearson correlation coefficient and Spearman Rank correlation coefficient are used at 1% level of significance test.

V. DATA PRESENTATION AND ANALYSIS

Total 800 responses were gathered by the researcher from different parts of Gujarat, India. Forty-seven of these surveys were not completed. As a result, only 753 surveys were analysed. Of the pupils surveyed, 42% are female and 58% are male. Seventy-four percent of the pupils are between the ages of 19 and 22. 23.1 percent of students are in the scientific stream, while 64.1% of students are in the commerce stream. Ninety-three percent of students are single. 51.2% of students' parents earn between Rs. 100,000 and Rs. 500000, while 38.5% of students' parents earn less than Rs. 1,00,000. Just 7.7% of pupils have parents who earn more than Rs. 10,000,000. As a result, the majority of pupils come from lower-income families.

The results for financial behavior (FB), financial attitude (FA), financial knowledge (FK), and the impact of the environment on financial literacy (IFL) are displayed in Table 1 below. The average financial behavior of the students is 3.41, which is greater than 2.5, with a standard deviation of 0.44. It is nearly equal to the average influence environment on financial understanding or financial literacy (IFL), with a standard deviation of 0.67 and an average score of 3.86 out of 5. The average financial attitude of students is 3.29 on a 5-point scale, with a standard deviation of 0.57. With a standard deviation of 14.95%, the average score for students' financial literacy is 54.97%.

Among the variables that show correlation with each other are average financial behavior (FB_Avg), average influence on financial literacy (IFL_avg), percentage of financial knowledge (FK_Percentage), and average financial attitude (FA_Avg). Correlation is calculated using the Karl Pearson and Spearman Rank methods. At the 1% significance level, there is a relationship between financial activity and knowledge, as indicated by the correlation value of 0.315. Students' behaviour is influenced by their knowledge, and there is a partial positive correlation between the two factors. There is a 0.348 correlation between financial behaviour and financial attitude, meaning that at the 1% level of significance, there is a relationship between the two. A student's attitude towards money is influenced by his financial behaviour. Both variables are partially positively correlated.Students' financial knowledge has a positive correlation on environmental factors that influence their financial knowledge.Table 2, there is a significant association between environmental factors and financial knowledge.

TABLE I

DESCRIPTIVE ANALYSIS

		FB	IFL	FK	FA
N	Valid	753	753	753	753
	Missing Values	0	0	0	0

Mean	3.41	3.86	54.97	3.29
S.E.M	0.04	0.046	1.02	0.03
S.D	0.44	0.67	14.95	0.37

TABLE II

CORRELATION MATRIX

		FA	FB	IFL	FK
FA	Correlation Coefficient	1	0.348**	0.202**	0.159**
	Significant (2-tailed)		0.000	0.001	0.008
	N	753	753	753	753
FB	Correlation Coefficient	0.348**	1	0.159**	0.315**
	Sig. (2-tailed)	0.000		0.008	0.000
	N	753	753	753	753
IFL	Correlation Coefficient	0.202**	0.159**	1	0.246**
	Sig. (2-tailed)	0.001	0.008		0.000
	N	753	753	753	753
FK	Correlation Coefficient	0.159**	0.315**	0.246**	1
	Sig. (2-tailed)	0.008	0.000	0.000	
	N	753	753	753	753

**. At the two-tailed 1% level, the correlation coefficient is significant.

The influence of different environmental elements on pupils, such as parents, friends, relatives, media, employment, life experience, and the internet, is depicted in Chart 1. Additionally, researchers find that the greatest influences on learning about financial literacy are parents and life experience; friends and financial planners or counselors have a less significant impact.

VI. LIMITATION OF THE STUDY

This study has the following limitations:

- It only covers Gujarat, which represents only one state of Indian college students.
- There are drawbacks to utilizing questionnaires to gather primary data for research.
- Qualitative traits including knowledge, attitude, and financial behavior are used by researchers. Quantifying the qualitative variable presents a challenge as well.
- The questionnaire used in this study was developed using the financial literacy measurement guidelines supplied by the OECD's International Network on Financial Education. Each nation or organization has its own restrictions.

VII. CONCLUSION

Financial literacy, according to the study, is the result of the interaction between financial behaviour, financial attitude, and financial knowledge. Students generally behave, know, and think about money in subpar ways. The study found that financial behavior, financial attitude, and financial knowledge combine to produce financial literacy. In general, students act, understand, and think about money in poor ways. One's attitude about money is positively impacted by their financial behavior, and knowledge and financial behavior are positively correlated. Financial awareness is most influenced by environmental factors such as parents and life experience; friends and financial planners have less of an effect. The attitudes of students toward money and their spending habits are positively impacted by an average level of financial literacy.

VIII. THE IMPLICATIONS OF STUDENTS' FIN LIT FOR ACADEMIC AND MANAGERS

The academic and managerial implications of students' financial literacy are significant:

A. Academic Implications:

1. Improved Educational Outcomes: Students who are more financially literate may perform better academically because they may grasp personal finance concepts better and be able to apply them to practical scenarios.
2. Curriculum Enhancement: To guarantee that students gain the necessary financial abilities, educational institutions may need to improve their curricula by adding courses or modules on financial literacy.
3. Research Opportunities: Research on financial literacy can result in scholarly investigations that advance our understanding of the ways in which financial literacy affects several facets of students' lives.

B. Managerial Implications:

1. Employee Financial Wellness: Financially literate workers are more productive, make better financial decisions, and experience less financial stress—all of which are advantages for organizations.
2. Financial Literacy Programs: Employers can improve employee financial wellness by implementing financial literacy training, which can boost employee retention and job satisfaction.
3. Investment in Training: To increase financial literacy among employees and students, firms and educational institutions may need to make investments in resources and training.
4. Risk Mitigation: People who are financially literate are better able to handle their own finances and make wise decisions, which lowers the possibility that they may experience financial troubles that could impair their performance at school or at work.

In conclusion, raising students' financial literacy benefits businesses and educational institutions alike by producing better-educated people who know how to handle their money better.

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