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

Mitesh J. Patel[1], Jitendra Patil[2], Shakti Dodiya[3]

Assistant Professor, Department of Business Management, Sankalchand Patel College of Engineering, Sankalchand Patel University, Visnagar, Gujarat, India[1,2,3]

mitpatel85@gmail.com[1], jitendrapatil.rbims@gmail.com[2], sbdodiya.mba@spcevng.ac.in[3]

Abstract: Financial literacy is crucial for the advancement of financial inclusions and, ultimately, for ensuring financial stability in India. Financial literacy is a change agent for financial inclusion, according to the RBI's agenda. Increasing public awareness of financial products and services is RBI's aim. 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. A researcher employing a simple random sample technique is looking into the level of financial literacy among college students of Gujarat. 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. Correlating with Students' average financial literacy with financial attitude and behavior, it shows a significant influence on their financial attitude and behavior.

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

I. INTRODUCTION

Financial Inclusion has turned out to be a subject of significant interest among policymakers & researchers. The RBI has developed adapted financial literacy content for five target groups' including Farmers, Which can be worn by the trainers in financial literacy programs.(RBI, RBI). For financial inclusion, Banking is one of the important pillars and Indian Banking systems consist of public/public/foreign/ RRBs/ cooperative (rural and urban) sector banks. When financial and banking systems grow continuously with digitization, also increase financial products and services, with a wide scope of employment generation. Hence it is important to know where the youth of the country stand in this era. In the entire where the youth of India stand, are they ready to enter in financial market or service? Are they aware of all financial products or services available in the market? Are they aware of current Banking and its relatedness with his life? To know the answer to all the above questions, the researchers would like to know the level of financial literacy among college students in Gujarat.

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.

The decisions and behaviors people take with relation to their finances are referred to as financial behavior. 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 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.

A survey conducted by ANZ of Adult Financial Literacy in Australia analyzed covered socio-demographic variables like gender, age, education, house condition, and financial knowledge/attitudes to possibly be used to enlighten differences in people's financial literacy level. They concluded factors like financial attitudes acknowledged as dealing with money is stressful, impulsivity, financial self-efficacy, and financial aspiration.(ANZ, 2015)

A low level of financial literacy would be unreasonable to expect individuals or households to manage various kinds of risks and be accountable 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 actively working to increase public financial literacy in the country. Developing the skills and confidence of consumers to become more aware of financial dangers and opportunities, to make informed decisions, to know where to go for support, and to take other effective steps to improve their financial well-being is the OECD's stated purpose (OECD, 2005). RBI established Financial Literacy and Counseling Centers (FLCC) to provide people 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. OBJECTIVE OF STUDY

This research is based on the following objectives:

- 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

A. Research design

The exploratory research design is used to explore the level of financial literacy among college students of Gujarat.

B. Research Population and Sampling

The researcher population is the college students of Gujarat (India). The researchers used a convenient sampling method of non-probability sampling and collected 800 student respondents from various regions of Gujarat.

C. Data Collection Instrument and Measurement

A survey was created based on the Measuring Financial Literacy questionnaire developed by the OECD. 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 rate, checks, loan and leasing agreements, credit bureau, and time value of money are among the topics covered in the questions. Every question is graded according to its percentage corrected score, with 1 mark awarded for a correct response and 0 for incorrect answers, and the outcome was transformed into a percentage of the right response. The final section covers environmental elements that affect pupils' financial literacy or awareness.

D. Hypothesis of the study

A researcher is studying hypothesis 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.

E. 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

The Researcher collected 800 respondents from various regions of Gujarat (India). Out of these 47 questionnaires were not filled. Hence only 753 questionnaires were used for analysis. The questionnaire includes 58% of male and 42% female students. The majority of students, 74.4% are from the 19^{th} – 22^{nd} years of age group. 64.1 % of students are from Commerce then 23.1 % of students are from the science stream. The majority, 92.3 % of students are unmarried. 38.5 % of students' parental income is less than Rs. 1,00,000, 51.2% of Students' parental income ranges from Rs. 100000 to Rs. 500000. Only 7.7% of students' Parental income is above Rs. 10,00,000. Hence most of the students are coming from lower-income groups.

Financial knowledge (FK), financial behavior (FB), financial attitude (FA) and impact of environment on financial literacy (IFL) results are in below table 1. The student's average financial behavior is 3.41 which is more than 2.5 with a standard deviation of 0.44. It is nearly the same as the average impact environment on financial knowledge or financial literacy (IFL) is 3.86 out of 5 with a standard deviation of 0.67. Students' average of financial attitude on a scale of 3.29 out of 5 with a standard deviation of 0.57. Student's financial knowledge result is an average of 54.97% with a standard deviation of 14.95%.

Correlation between various variables includes average financial behavior (FB_Avg), average influence on financial literacy (IFL_avg), Percentage of financial knowledge (FK_Percentage), and an average of financial attitude (FA_Avg). Correlation is calculated using the Karl Pearson and Spearman Rank correlation methods. The correlation between financial knowledge and financial behaviour is 0.315, Hence with a 1 % level of significance financial knowledge and behavior is associated with each other. Knowledge influences students' behavior, both variables are partially positively correlated. The correlation between financial behavior and financial attitude is 0.348, Hence with a 1 % level of significance financial behavior and attitude are associated with each other. A student's financial behavior influences his financial attitude. 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 STATISTICS

		FB_Avg*	IFL_avg*	FK_Percentage*	FA_Avg*
N	Valid	753	753	753	753
	Missing Values	0	0	0	0
Mean		3.41	3.86	54.97	3.29
Std. Error of Mean		0.04	0.046	1.02	0.03
Std. Deviation		0.44	0.67	14.95	0.37
*Note: FB_Avg: Average Financial behavior, IFL_avg: Average influence on financial literacy, FK_Percentage: Percentage of financial knowledge, FA_Avg: Average of financial attitude.					

TABLE II

CORRELATIONS BETWEEN VARIABLES

		FA_Avg	FB_Avg	IFL_avg	FK_Percentage
FA_Avg	Correlation Coefficient	1	0.348**	0.202**	0.159**
	Significant (2-tailed)		0.000	0.001	0.008
	N	753	753	753	753
FB_Avg	Correlation Coefficient	0.348**	1	0.159**	0.315**
	Sig. (2-tailed)	0.000		0.008	0.000
	N	753	753	753	753
IFL_avg	Correlation Coefficient	0.202**	0.159**	1	0.246**
	Sig. (2-tailed)	0.001	0.008		0.000
	N	753	753	753	753
FK_Percentage	Correlation Coefficient	0.159**	0.315**	0.246**	1
	Sig. (2-tailed)	0.008	0.000	0.000	
	N	753	753	753	753

**. Correlation coefficient is significant at the 1% level (2-tailed).

Note: FB_avg: Average Financial behavior,

IFL_avg : Average influence on financial literacy,

FK_Percentage: Percentage of financial knowledge,

FA_Avg : Average of financial attitude.

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.

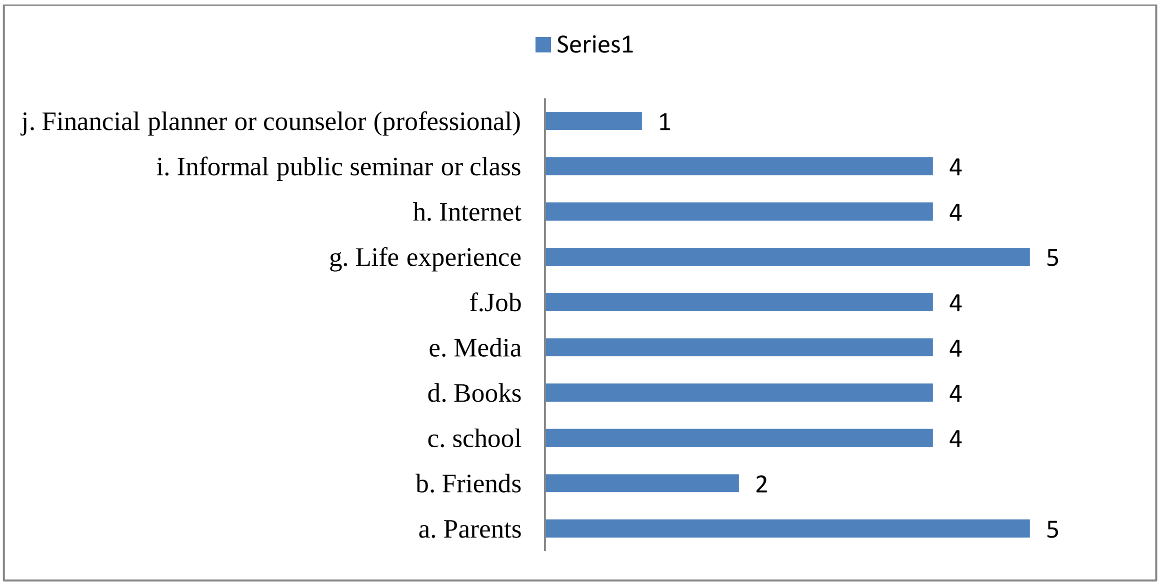

Fig. 1. Chart- Influence on financial knowledge

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 International Network on Financial Education of the OECD provided principles for measuring financial literacy, which were followed in creating the questionnaire used in this study. Every country or group has its own limitations.

VII. CONCLUSION

The study defined financial literacy as the culmination of the impacts of financial behavior, financial attitude, and financial knowledge. In general, students have mediocre financial behavior, knowledge, and attitude. Financial behavior influences attitude toward money in a good way, and financial behavior and knowledge are favorably 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' FINANCIAL LITERACY 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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