A Study on Financial Literacy among Students in Bangalore

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Abstract: It is the possession of the set of skills and knowledge that allows an individual to make informed and effective decision with all of their financial resources. This study is an evaluation to underpin the relationship between financial literacy level and nature of financial behavior of undergraduates and post graduates of Bangalore. Knowledge on money management, savings, investments, and credit has been considered to measure the financial literacy level and students current and past manners related to same dimensions is used to measure financial behavior using questionnaire.

In this study, the sample responses received were from 104 students. The results were analyzed based on gender and qualification. Significant relationships were found between financial literacy and student characteristics.

I. INTRODUCTION

"Financial literacy is the education and understanding of various financial areas including topics related to managing personal finance, money and investing.”

The people should need proper plans for long-term investments for their future aspects of emergency needs. On the other hand, students should hold strong financial literacy about personal finance to take decision on investment when they will start to earn. Additionally, they must manage their own medical and life insurance needs. Nowadays, the younger generation, especially the students are lacking in their financial knowledge to make decisions. They love spending rather than saving. By keeping the future in mind the students should develop the habit of saving and investing their money in various financial instruments. They also should be aware about the various financial services and facilities provided by banks and financial bodies which will influence them to make sound decisions and to plan the safe and better future with a financial back up by not being dependant on anyone.

Financial literacy is an integral part of the financial inclusion. It is not just about imparting the financial knowledge and information. It is also about changing the behavior in the financial pattern and activities of individuals. The ultimate goal is empowerment of people to take action by themselves that is in their self-interest. When the people know about the financial products available and when they are able to evaluate the merits and demerits of each product and suitability of the product for their specific needs, they are in a better position to decide what they want and feel empowered in a meaningful way.

A. Importance of Financial Literacy

Financial literacy is important as financial markets have become increasingly complex and there is information asymmetric between markets and the common people. It is difficult for the common people to make informed choices.

- It equips an individual with the knowledge required to choose from a large number of financial products and financial providers.
- Helps individuals by providing the financial knowledge necessary to initiate savings plans, manage the savings and make proper investments for a safe future.
- It helps to know the financial fluctuations on everyday basis and predict the future financial state of investments.
- Financial sector reforms transfer the responsibility of financial decision making to individuals.
- It even helps in saving or getting rebates from Income Tax department on various investments under section 80.
- Leads to consumer protection as the individual is able to make informed choices.

II. REVIEW OF LITERATURE

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 financial behavior and the financial knowledge of individuals to enable them 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 behavior 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 behavior of young employees. Financial literacy was examined among 11 individuals which showed that the financial literacy is low and lesser 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 (Lasardi, 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 behavior.
II. METHODOLOGY

A. Objectives of the Study

1. To know the awareness about the Financial Literacy among the college students of Bangalore.
2. To analyze the role of financial literacy among the college students.

B. Scope of the study

The scope of the study is restricted to the Bangalore College Students only, who are the future for the economy. In this study the researcher have evaluated the awareness level about the financial instruments or products and this report gives a clear view of the role of schools, colleges and individual role to know about the financial literacy. The findings of the study and conclusion drawn are based on the analysis of the information collected by researchers through questionnaire and communication.

C. Data collection

The present study is based on primary data and secondary data.

Primary data: Primary data was collected from administering structured questionnaire to selected respondents. The respondents were selected on convenient random sampling.

Secondary Data: Secondary data was collected from published and unpublished sources. Further, websites were also depended upon for few secondary data.

D. Data Analysis and Interpretation

I keep track of my expenses on a regular basis:

![Figure 1](image1.png)

It can be seen that 26.96% respondents were only keeping track of their expenses regularly and 29.8% doing it irregularly and 26.9% said sometimes. This indicates that majority of respondents were keeping track of their expenses.

I got money aside for savings, future purchases, or emergencies:

![Figure 2](image2.png)

It can be seen that 21.2% respondents were only saving regularly and 26% were irregular and 28.8% said sometimes. This indicates that majority of respondents were savings, though majority fall for sometimes.

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 the 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 . (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 (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 significantly 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 related to 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.
It can be seen that 54.5% respondents, means majority of the respondents were paying their bills on time. This indicates that majority of respondents were credit worthy.

It can be seen that this graph regarding preparing the budget is zigzag and where majority fell in towards never making the budget which constituted 25.5% respondents but still 21.6% respondents were making the budget.

It can be seen that only 14.6% of respondents were feeling secure about their current financial situation but majority of the respondents fall in the sometimes they fell secured constituting 56.3% (3+4).

It can be seen that almost 57.7% of respondents were rarely and never borrowed money or ever had to pay back their debts in a year, this tells that they were quite planned and quality customers.

These above graphs from Fig. 1-6 actually showed the current status of college students of Bangalore that how effectively they are managing their daily expenses from their pocket money and making some savings, and are they satisfied with the fund managing ability for their day to day life.
The correct answer, Money market account was only known by 16.3% respondents, which means 83.7% of respondents were not knowing or were thinking some other instrument as high paying investments and where 43.3% said, they didn’t know.

![Image](image.png)

**Figure 10**

The correct answer, Section 80 was only known by 17.5% respondents, where majority of respondents 74.5% said that they had no idea.

**SUGGESTIONS AND RECOMMENDATIONS**

As the research focused on college students, taking the age group between 18-29, young age group making them the perfect respondents as they might start earning in upcoming years, so they are going to be the backbone of the economy. Seeing the responses we found that most of the respondents were lacking the knowledge of financial applications.

1. Schools and colleges can start various programs related to managing personal finances and should be made mandatory for all disciplines. These programs should provide practical experience, promoting involvement as well as transfer of knowledge regarding various government policies, etc and financial management skills to students.

2. Students can be influenced and motivated to use free online learning portals on various apps and websites, like on Swayam, etc.

3. Parents are the first and foremost teachers and can influence the behavior of children by developing positive financial attitude and making know about the activities like saving habits, planning, budgeting, concept of risk, return, consumer awareness etc.

4. The Reserve bank of India (the central bank), has been actively participating in this field for eradicating financial literacy in the country and has already launched a project called “Project financial literacy”. The main objective of this project is to disseminate information regarding the central bank and general banking concepts.

5. SEBI also publishes various papers, journals and notifications regarding financial safety for investors, people need to be connected with such information’s.

**CONCLUSION**

This study is directed to impart the conclusions about the levels of financial literacy among the college students of Bangalore and found that it ranged to moderate level of knowledge, as in accordance with the Agarwalla Sobhesh Kumar, Barua Samir, Jacob Joshy, Jayanth R. Varma (2012) research which showed that financial literacy among Indian youths is quite low as compared to the international standards, which is matter to be concerned and makes a need for awareness about its importance in the life an individual, for his/her family and as whole for the economy. So there should be proper focus on formulation of certain programs as stated in suggestions and recommendations of this study to make a greater impact to increase the financial literacy among Indian youths. As they are the backbones to this economy, as India being a young nation and there is long way to go and investments and financial instruments are directly affecting the growth of the economy.

**References**

**Websites**


**Research Papers**

