

A STUDY OF FINANCIAL LITERACY AMONGST THE COLLEGE STUDENTS IN MUMBAI

Dr. Vijetha S. Shetty and Baby Jaison Thomas

Associate Prof. & HOD-Commerce, Valia College, Andheri (W), Mumbai, India
Assistant Professor, Mithibai College, Ville Parle (W), Mumbai - 56 India.

Abstract : The Government of India and Reserve bank of India have taken initiatives to spread banking services such as expanding the number of rural bank branches, allowing the banking correspondent model and adoption of CBS technology. While in implementing financial inclusion in a diversified country like India, Financial Literacy plays a pivotal role in the success of this great social initiative opportunity. Financial education, financial inclusion and financial stability are three elements of an integral strategy. While financial inclusion works from supply side of providing access to various financial services, financial education feeds the demand side by promoting awareness among the people regarding the needs and benefits of financial services offered by banks and other institutions. Going forward, these two strategies promote greater financial stability. An attempt has been made in this paper to study in detail the level of financial literacy amongst the students of Mumbai.

INTRODUCTION

Post global financial crisis, Financial Literacy and Financial Inclusion has become a subject of considerable interest among policy makers, researchers and other stakeholders. This heightened interest reflects a better understanding of the importance of financial inclusion for economic as well as social development. Across the nations, both economically rich and fiscally poor, it is being increasingly recognized that access to financial services has a critical role in reducing extreme poverty, boosting shared prosperity, and supporting inclusive and sustainable development. Similarly, financial literacy is rapidly being recognized as a core skill, essential for consumers operating in an increasingly complex financial landscape. It is therefore no surprise that governments around the world are interested in finding effective approaches to improve the level of financial literacy amongst their population and that many are in the process of creating and implementing a national strategy for financial education to provide learning opportunities throughout a person's life.

India, a fast growing economy with focus on inclusive growth and a stable financial system, recognizes the need and has accordingly prepared the National Strategy for Financial Education (NSFE) under guidance of the Technical Group on Financial Inclusion and Financial Literacy of the Financial Stability and Development Council (FSDC), which would cater to all sections of the population in the country.

LITERATURE REVIEW.

1. Studies by Marcolin and Abraham (2006); Schuchardt et al., (2008); Remund (2010) and Huston (2010) found that despite the rapid growth of interest in and funding for financial literacy and financial education programs, it remains the case that the field of financial literacy has a major obstacle to overcome: the lack of a widely disseminated measure of financial literacy, developed through rigorous psychometric analyses.
2. Michael (2009) argues that a lack of financial literacy can hamper the ability of individuals to make well-

A Study Of Financial Literacy Amongst The College Students In Mumbai

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.

3. 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 behaviour and attitude of the employees and retired seems to be positive.

4. Lusardi, 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.

5. The level of financial risk tolerance of the individuals determines the financial behaviour. 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 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 was 61.9%. Although the accuracy rate of Business or Economics major was 62.4% and was higher than overall average, its rate was lower than Engineering (63.2%), Science (64.0%), and Social Science (64.0%). In addition, Koshal et al. (2008) reported that the difference between Indian MBA students' grades does not show a statistically significant effect on economic literacy score. Study by Martin Samy (2007) revealed that determinants of credit card are significantly dependent on a student's year of study, credit card status and daily routine, which has a strong relevance to respondents' knowledge of credit cards. Responsibility of money management lies with parents. Parents are the source of financial information. They are confident about their financial future. Their parents are successful in money management and they take them to be their role models in deciding upon financial matters.

6. Canadian Institute of Chartered Accountants CICA Youth Financial Literacy Study 2011. Study by Marzieh et al., (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.

Financial Planning enables an individual to frame appropriate budgets which in turn helps them to track his finances and meet the ends. Financial literacy is a global concern. The level of financial literacy required depends upon the financial needs and behaviour of an individual. From the above studies, it is inferred that financial literacy is highly influenced by age, region or country in which the individual resides, the financial environment which he experiences, the level of income, socio demographic factors like his family, number of dependents, mother's education, financial advice etc. The need to know the level of financial literacy of various groups is inevitable. This study focuses on measuring the level of financial literacy among the college students of in Mumbai.

OBJECTIVE OF STUDY.

1. Determine the level of financial knowledge of the Students.
2. To analyse the money management skills possessed by Students.
3. To understand the challenges and goals they have with financial matters.
4. To suggest measures so as to increase the Financial Literacy and awareness among the students.

RESEARCH METHODOLOGY OF THE STUDY:

Research Design: Descriptive research design is done. Survey method is followed.

Source of Data: Data required for the study is obtained from both primary and secondary sources. Questionnaire was prepared based on existing literature on the components of Financial Literacy. Questionnaire was used to collect data from the respondents.

Sample Description: The sampling unit is 100 students in the age group of 18 to 23 belonging to different faculties of Science Arts and Commerce of Mumbai.

LIMITATION OF THE STUDY:

The study is limited to the age group of 18-23 years.

Data was collected among the students of Mumbai city, therefore the results cannot be generalised.

“Skill Development : The Key to Economic Prosperity”

A Study Of Financial Literacy Amongst The College Students In Mumbai

The study focuses on the level of financial literacy they possess and the results may not ensure the financial wellbeing of the sample.

FINANCIAL LITERACY:

The OECD defines financial literacy as -“A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well being.”

Financial literacy around the world is found to be low as measured by various studies including the OECD survey study carried out across 13 countries. In India, the levels of financial literacy are poor even by the low global standards, according to some studies such as the VISA International Financial Literacy Barometer 2012.

DATA ANALYSIS:

- ◆ The age group of the students who have answered the questionnaire are as follows.
- ◆ 18yrs - 19yrs: 51 students.
- ◆ 20yrs - 21 yrs: 39 students.
- ◆ 22yrs - 23 yrs: 10 students.

Out of the 100 respondents: 50 students were from the Commerce faculties, 25 from Science faculty and 25 from Arts faculty.

- ◆ The Gender compositions of the students were 79 Females and 21 Males.
- ◆ The ways in which the students received or earned money in the past 3 months were as follows.
- ◆ 24 Students earned money by doing a part time job.
- ◆ 27 Students received money by the way of gifts.
- ◆ 49 Students received money by the way of Allowances.

The amount of Money students received are as follows.

> >1000 Rs	: 45 Students
> 1000 - 3000 Rs	: 37 Students.
> 3000 - 5000 Rs	: 12 Students.
> 5000 - 10000Rs	: 06 Students.
> 10000 Rs<	: 01 Student.

The percentages of Money saved by the Students are as follows.

- ◆ Don't save at all : 13 students.
- ◆ 10% - 20% : 49 Students.
- ◆ 20% - 30% : 24 Students.
- ◆ 30% < : 14 Students.

On the question of general behaviour and attitude towards money, A statement that describes you best - was answered by Students as follows.

I save to invest	: 12 Students.
I save to spend later	: 25 Students.
I'm a little of both (saver and spender)	: 58 Students.
I am unable to save	: 05 Students.

A Study Of Financial Literacy Amongst The College Students In Mumbai

The financial products possessed by Students were as follows.

- > Savings Account : 67 Students
- > Fixed Account : 17 Students.
- > Credit Card : 06 Students.
- > Mutual Funds or Stocks : 03 Students.
- > Debit Card : 32 Students.
- > None of the above : 19 Students.

◆ Out of 67 students who had savings account only 05 students had account before the age of 15 yrs, remaining 62 students opened savings accounts only after 18 years.

◆ All the 06 Students who possessed Credit card had one Credit card each.

◆ On the question of describing personal finance skills students responded as follows.

I'm knowledgeable about managing money and make 1 right decisions when it comes to spending it : 55 Students.

I want to manage money well but do not have proper information : 32 Students.

I know I'm not very good with my money, but I'm okay with that : 11 Students.

I know I'm not very good with money and it can be a source of stress tome : 02 Students.

◆ Out of the 100 students surveyed: 20 students rarely think of personal finances, 60 students think of personal finances from time to time and remaining 20 students think of personal finances all the time.

◆ For Students managing personal finance are,

Not at all important : zero students.

Somewhat unimportant : 02 students.

Neither important nor unimportant : 01 student.

Somewhat important : 38 students.

Extremely important : 59 students.

◆ On the question of rating the college, on how well it provides students with the information and skills that they need to learn more about managing personal finances are as follows.

- > Not at all well - no information is provided : 27 Students
- > They do the bare minimum - very little information is provided : 25 Students
- > They're ok - provided some information : 15 Students
- > Somewhat well - provided most of the information I needed : 21 Students
- > Extremely well - provided all the information I needed : 09 Students

During the event of financial planning,

◆ 73 students took advice from their families.

◆ 19 students approached their teachers.

◆ 10 students turned to friends for advice.

◆ 15 students logged on to Internet for advice.

◆ 15 Students approached financial institutions for advice.

INTERPRETATION:

Financial Skills and Investment.

? 45% of the students do not consider themselves possessing required financial skills which they consider is needed to make right financial decisions.

? 67% of the students currently have savings account for them. In which 60% of the Science, 75% of the Arts and 68% of commerce students has the same.

? Only 17% of the total student hold a Fixed Deposit, but 45% of the Arts faculty students holds a fixed deposit account in their name, Science and commerce students lags behind at

A Study Of Financial Literacy Amongst The College Students In Mumbai

13% & 8% respectively.

? Only 6% of the total student have a credit card mostly of which is a add - on card with their parents. Even in credit card 15% of the Arts faculty students possess a credit card. Science and Commerce lags here at 3% and 4% respectively.

? 4% of the total Students hold investment in Stocks of mutual funds of which there are no students from commerce faculty who possess an investment in the same. Science and Arts students hold 7% and 10% respectively.

? In Debit Cards 65% of the Arts students have a debit card, which is followed by commerce students at 24% and science students at 23%. The total percentage of students having a debit card is at 32%.

? 19% of the students do not have any financial products. Science students leads the category with 30%, followed by commerce students by 16% and Arts students at 10%.

FINANCIAL BEHAVIOUR:

- ◆ 12% of the Students saves whatever money they receive to Invest.
- ◆ 25% of the students saves whatever money they receive to spend at a later stage.
- ◆ 05% of the student are unable to save anything.
- ◆ 20% of the students rarely think of Personal finances and 20% of the students always think of personal finances and remaining 60 % at times think of personal finances.
- ◆ 97% of the students considers managing finance as the most important activity. Out which the percentage of Science, Art and Commerce students who think the activity to be extremely important are 53%, 60% and 62% respectively. 47% of Science students, 30% of Arts students and 36% of commerce students consider it to be important activity.

FINANCIAL AWARENESS AND ADVICE PROVIDED.

- ◆ In the opinion 62% of total students, colleges do not provide for the information and skills needed by them to manage personal finances or they believe that colleges provide only the bare minimum information in that area.
- ◆ 73% of the science students and 80% of the arts faculty students are also of the above said opinion.
- ◆ Only 56% of the Commerce student are of the opinion that colleges to well enough for the development of their skills for financial literacy.
- ◆ 72% of the students turn to their families for advises pertaining to managing their finances. Of which 100% of the Arts students, 87% of Science students and 52% of the commerce students does the same.
- ◆ 36% of the commerce students even go in to teachers for advices to manage finances and very low of 3% science students take it from their teachers.
- ◆ 14% of the commerce students even take advices from their friends and 7% of science students and 5% of arts students also follow their friends' advice on managing finances.
- ◆ 22% of the commerce students also log on to internet for financial information and 20% of the Arts students also does the same.
- ◆ Only 15% of the total students approach a bank or a financial institution for financial advice.

CONCLUSION:

The financial knowledge among student in Mumbai is poor as compared to the global standards. A large part of this is due to poor numeracy skills and can be attributed to the poor elementary and primary education system as documented in other studies. There should be more focus that needs to be done for increasing the financial literacy amongst all the students of different faculties as they are the future of the country. One question which was exclusively asked to commerce students regarding their attitude towards Financial Investment, as to if has it been changed positively after studying subjects related to finance in curriculum, has found an overwhelming response of 98% as 'YES'. Hence it is very clear that a lot needs to be done under academics to enhance the financial literacy of the students. As in present and future when India embarks on the journey of economic growth, the economic growth wouldn't be meaning full and real to the masses of country in the absence of complete Financial Literacy.

REFERENCES.

1. Joyce K.H. Nga, Lisa H.L. Yong, Rathakrishnan D. Sellappan, (2010). A study of financial awareness among youths. *Young Consumers: Insight and Ideas for Responsible Marketers*, 11 (4), 277 - 290.

A Study Of Financial Literacy Amongst The College Students In Mumbai

2. Mukul G. Asher, Amarendu Nandy, (2006). Reforming provident and pension fund regulation in India. *Journal of Financial Regulation and Compliance*, 14(3), 273 - 284
3. Master Card Worldwide Insights Q1 (2011): How Well Do Women Know Their Money: Financial Literacy Across Asia/Pacific, Middle East and Africa
4. ANZ (2005), Adult Financial Literacy, Personal Debt and Financial Difficulty in Australia, Summary Report AC Neilson.
6. Ronald A. Sages, John E. Grable (2010). Financial Numeracy, Net Worth, and Financial Management Skills: Client Characteristics That Differ Based on Financial Risk Tolerance. *Journal of Financial Service Professionals*, 57-65.
7. Abraham Ansong, Michael Asiedu Gyensare (2012). Determinants of University Working- Students' Financial Literacy at the University of Cape Coast, Ghana, *International Journal of Business and Management*, 7(9), 126-135.
8. Kenichiro Chinen, Hideki Endo (2012). Effects of Attitude and Background on Students' Personal Financial Ability: A United States Survey. *International Journal of Management*, 29(2), 778-793
9. Richard Shambare, Robert Rugimbana (2012). Financial Literacy Among the Educated: An Exploratory Study of Selected University Students in South Africa. *Thunderbird International Business Review*, 54(4), 518-591
10. Lusardi, A. and Mitchell, O. S. (2007). Financial literacy and retirement preparedness: Evidence and implications for financial education. *Business Economics*, 42, 35-44.
11. Falahati, L., and Paim, L. (2011). Gender differences in financial well-being among college students. *Australian Journal of Basic and Applied Sciences*, 5(9), 1765-1776.
12. Lusardi, A., Mitchell, O.S., and Curto, V. (2010). Financial literacy among the young. *Journal of Consumer Affairs*, 44(2), 358-380.
13. M. Gowri. (2013). A study on financial literacy among young employees in coimbatore city, 3-8.