

## **INCIDENCE OF FINANCIAL LITERACY IN INDIAN HIGHER EDUCATION INSTITUTIONS: A STUDY OF UNIVERSITY OF DELHI'S STUDENTS**

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### **Abstract**

*In the increasingly complex financial markets of today, financial literacy is being regarded as a crucial life skill. Financial literacy plays a vital role in generating demand for financial inclusion initiatives of government and contributes to the broader goal of social inclusion and sustained development. The present study is designed to measure the financial literacy level of higher education institutions in India and identify the socio-demographic factors affecting the level of financial literacy. The study was a survey based study conducted on 1064 students belonging to India's premier Central University, University of Delhi. The survey instrument was uniquely designed to measure financial literacy of youth through questions based on financial knowledge and financial awareness. The results revealed medium levels of financial literacy. The results showed that male students have higher levels of financial literacy. Commerce students display a higher level of financial literacy in comparison to arts and science students. A significant positive correlation is observed between financial literacy and financial behaviour. The present study identifies key areas such as banking sector, interest rates, inflation and investment where students lag behind and policy makers need to focus.*

**Keywords:** University, Financial Awareness, Financial Literacy, Inequality, Youth.

### **1. Introduction**

In India, Reserve Bank of India has been spearheading the campaign for financial inclusion through awareness programs and rationalized banking solutions for the

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disadvantaged.<sup>1</sup> Currently, India has also been targeting the underserved segment of the society through various schemes, most notable the recently launched Pradhan Mantri Jan Dhan Yojana. According to Census 2011, out of 24.67 crore households in the India, only about 14.48 crore or 58.70% households had access to banking services<sup>1</sup>. One reason for less than satisfactory performance of the financial inclusion program is a lack of financial literacy. The OECD defines financial literacy as the : “Knowledge and understanding of financial concepts and risks, and the skills, motivation, and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life.”<sup>2</sup>

Financial inclusion and financial literacy are integral to each other as financial inclusion provides access to financial products and financial literacy provides awareness about the financial products & services. Without Knowledge of the financial products and services available and how to use them for maximizing personal financial wellbeing, all the efforts towards including the masses in the formal financial sector will go in vain. Financial ignorance has significant costs with people end up making bad investment choices, borrowing heavily at huge interest rates and eroding their savings, understanding of complex financial terms in mortgage contracts and ended up with excessively risky mortgages.<sup>3</sup>

Worldwide, governments are recognizing the importance of financial literacy as, given the complexity and variety of financial products and services available, the burden on the consumers today is more than ever to make the right choices. Financial markets around the world are increasingly becoming deregulated. Interest rates are market determined, and investment options with guaranteed returns are scarce. The onus is on the investor to look after his own interest and build his own corpus of wealth for immediate need and retirement. Research conducted by Organisation for Economic Co-operation and Development (OECD) in 2013 revealed low levels of financial literacy even in developed countries like Japan and Korea. S&P Global Financial literacy survey (2014) conducted in 140 countries has revealed shockingly low levels of financial literacy with only one-third of the participant’s world over being able to achieve a passing grade on simple

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<sup>1</sup> [https://rbi.org.in/Scripts/BS\\_SpeechesView.aspx?id=1024](https://rbi.org.in/Scripts/BS_SpeechesView.aspx?id=1024).

<sup>2</sup> Measuring Financial Literacy: Questionnaire and Guidance Notes for Conducting an Internationally Comparable Survey of Financial Literacy available at <https://www.oecd.org/finance/financial-education/49319977.pdf>

<sup>3</sup> Federal Reserve bank of Atlanta, Working Paper series (2010). Financial Literacy and Subprime Mortgage Delinquency: Evidence from a Survey Matched to Administrative Data. Gerardi K., Goette L. & Meier S.

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questions on inflation, risk, and interest.

Financial literacy is a matter of concern for all the stakeholders; however, increased attention is being paid towards a potential game changer in the drive for financial inclusion which is the youth. International agencies like OECD have also focused their attention on students as financial education when inculcated in an early stage (School/Undergraduate) has a multiplier effect on the society.

Many renowned universities across the world like Cornell in the U.S and University of Westminster, London have introduced courses on personal finance. A pre-requisite for an introduction of such courses is measuring the current levels of financial literacy so as to gauge the areas where attention needs to be paid and influence the factors affecting financial literacy positively. The present study aims to achieve to measure the financial literacy of students belonging to higher educational institutions in India.

Few studies have been conducted internationally to gauge the financial literacy level of students. The studies by Danes and Hira (1987), Chen and Pavlicko (1996), Chen and Volpe (1998) focus specifically on college students and take knowledge of credit card, insurance, borrowing and general money management as a measure of financial literacy. Worthington (2006) defines financial literacy of adults as mathematical ability and understanding of financial factors. Lusardi et al. (2010) conducted a study on 7417 US college students in 1997 define financial literacy as knowledge of 3 parameters: (i) Interest rate, (ii) inflation and (iii) diversification. The present study defines financial literacy in the context of college students as combination of Financial Knowledge and Financial Awareness.

Commensurate with major studies around the world, financial knowledge has been defined as understanding about working with key money management concepts such as banking, taxation, time value of money, insurance, interest rates, investment, financial markets, diversification, etc. Financial awareness is the basis of financial knowledge and can be defined as having an idea about the financial terms around us. Financial awareness is intellectual whereas financial knowledge is experiential. Financial knowledge is deeper understanding about the operation/application of financial concepts whereas financial awareness is superficial learning of financial terms. Financial awareness has been captured through basic questions such as a requirement of opening bank accounts, full forms of financial terminology, types of financial products, purpose of insurance, etc. It is expected that even laymen individuals will have a certain level of financial awareness. Financial behaviour and financial attitude have not been considered as a component of financial literacy in contrast to major studies on financial literacy as our target population are students who are not yet earning so their financial attitude and financial behaviour is a

manifestation of their perception and not necessarily action and it will be shaped later on when they start earning.

The present study aims to measure the levels of financial literacy of students in India's premier central university: University of Delhi. The study will also analyse how financial literacy differs across socio-demographic factors such as gender, discipline and annual family income.

This study contributes to the existing literature by being one of its kind to define and measure financial literacy in the context of Indian youth so as to provide useful insights to the policy makers into the present level of financial literacy of youth, the socio-demographic factors affecting it and specific areas which students currently lack knowledge of. The paper is organised as follows: The second section reviews the existing literature followed by research objectives in the third section. The fourth section covers the research methodology and analysis of results. The last section discusses the results and identifies the policy implications of the study.

## **2. Review of Literature**

Few of the studies around the world have focused on higher education institutions students, and on an average, the studies report low levels of financial literacy. A survey of 323 students from Iowa State University revealed low levels of knowledge regarding credit cards and insurance. Danes and Hira, (1987) concluded that married students were more Knowledgeable, and males displayed greater Knowledge of insurance and personal loan. Volpe et al. (1996) surveyed 454 students from a state university in the US and found low levels of financial knowledge. Males were more financially knowledgeable than females, and business students scored better than non-business students. Chen and Volpe (1998) surveyed 924 college students across 14 campuses in the US through a comprehensive questionnaire covering questions on savings, investments, borrowings and insurance concluded that one reason for low levels of knowledge is the lack of formal course on personal finance. However, this paper doesn't define financial literacy and proceeds to measure it using a questionnaire on four aspects of financial education. All these studies use financial knowledge to capture financial literacy and overlooked financial awareness. Also, financial literacy was not analyzed across socio-demographic factors. Beal and Delpachitra (2003) in an attempt to determine financial literacy of Australian population surveyed 789 students of University of Southern Queensland. It was found that there were low levels of financial literacy, with decision-making skills and knowledge of insurance to be the least scored areas. Business majors scored better than non-business majors. Financial literacy improved with work experience and income. A

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limitation of all these studies is failing to differentiate between financial knowledge and financial awareness as two components of financial literacy and relating financial literacy with perceived financial behaviour and financial attitude.

Jorgensen (2007) created a college student survey instrument covering financial literacy (Knowledge, Attitude, and Behaviour) and peer-parental influences which was administered amongst 478 students across various colleges in the US. The study found that financial knowledge, attitude, and behaviour scores were low but significantly increased with seniority. Further, students who were financially influenced by their parents had higher financial knowledge, attitude, and behaviour scores. Finally, students with higher financial knowledge also had higher financial attitude and behavior scores.

Boyland and Warren (2013) assessed the financial literacy of 92 undergraduate students at a southern New England University on the following aspects: income, money management, savings, and spending. The results of this study were compared with the results of a February 2008 survey of 1030 students. There was not a significant difference between the results of the two surveys conducted, confirming the need for a program which can improve the financial literacy of the students.

Brau et al (2015) found males to be better informed than females. College classes on accounting and finance had a significant impact on financial literacy. However, entry level business majors were no more Financially literate than their counterparts. Experiential learning such as having a savings account, allowance, participation in a stock market, marriage, credit cards had a significant impact on financial literacy. The overall model was able to explain 32% of the variation in the financial literacy levels.

Shaari et al. (2013) studied the level of financial literacy amongst students of local universities of Malaysia. Multiple Linear Regression was used to study the impact of 5 independent variables, i.e., age, gender, business and non-business major, spending habit and year of study on financial literacy. All variables except gender were found to have a significant impact on the financial literacy level of an individual.

### **3. Research Objective**

Financial literacy is integral in ensuring a basic understanding of financial services and products and the ability to compare them so as to as efficiently allocate one's wealth. Poor financial decisions are detrimental to one's economic and social well-being eroding even lifetime of savings. Financial literacy should be inculcated at an early age and integration in the course curriculum is the most meaningful way to ensure financial literacy for the students.

The world over, many universities have recognized the importance of financial literacy amongst students and introduced courses on basic financial literacy after undertaking surveys that revealed gaping low levels of literacy. These higher education institutions where such courses have been introduced have reported positive habits of savings and borrowings amongst students.

The primary objective of this paper is to determine the financial literacy level of higher education institutions i.e. undergraduate and postgraduate students in India by evaluating their knowledge and awareness about key aspects of financial matters such as asset building, credit, debt management, inflation, savings, risk, taxation, banking, investment.

This will be achieved by addressing the following secondary research objectives:

- To measure the level of financial literacy across gender, disciplines, family income groups and level of education.
- To know the sources /influences of financial literacy of higher education institutions students in India.
- To determine “whether there exists any relationship between financial literacy, perceived financial attitude and perceived financial behavior” in higher education institutions in India.

Furthermore, the study aims to identify the areas in which financial literacy score is very low so that special attention can be made on such topic through compulsory courses /modules for all students irrespective of stream. The results of the study will be useful in curriculum design at undergraduate as well as postgraduate level. It is hoped that this study shall aid higher education institutions to develop financial literacy campaigns and awareness programs.

#### **4. Research Methodology**

##### **Sample**

The University of Delhi was taken as a representative sample to include the appropriate mix of undergraduates, postgraduates and research scholars from all disciplines: Arts, Science & Commerce. The survey instrument was administered physically amongst close to 1500 students across 70 colleges and the final dataset comprised of 1064 respondents.

##### **Survey Instrument**

The survey instrument was designed after discussion from experts belonging to arts, commerce, and science stream. Financial literacy for college going students was

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conceptualized as a combination of financial knowledge and financial awareness. After a pilot survey, the questionnaire was revised in the light of comments received from respondents. Reliability tests (Cronbach alpha) were satisfactory.

The components of financial awareness and financial knowledge were developed keeping in mind the unique conditions of India and behavior of Indian college youth. In most of the surveys conducted abroad, questions about credit card usage, education loan, and personal income dominate as the students abroad work part time and also finance their studies through a loan. However, these things are not relevant in the Indian context as generally, at undergraduate and postgraduate level parents bear education expenditures rather than student taking loans. College going students in India generally don't work while pursuing studies.

The survey instrument was divided into six parts: The first part focused on Personal Information of the respondents: Gender, level of educational attainment, discipline, annual family income and domicile. The second part consisted of 12 questions (through a mix of dichotomous responses and multiple choice questions) capturing financial knowledge which had questions on insurance, banking terminology, taxation, risk, return, inflation, interest rates, time value of money, etc.

The third part comprised of 12 questions about financial awareness (through a mix of dichotomous responses and multiple choice questions). Financial awareness was measured through basic questions on the meaning of Financial year, bank accounts, KYC, PAN cards, financial inclusion schemes in India, mutual funds, etc.

The fourth part captured the sources of learning about managing money and whether the respondents have taken any course on money management/financial literacy. The fifth and sixth part captured the perceived financial attitude and financial behavior (which were not included in the measurement of financial literacy) through 5 statements each whose responses were recorded on a 5 point Likert Scale.

### Demographic Description

**Table 1: Gender**

	Frequency	Percent
Male	502	47.3
Female	559	52.7
Total	1061	100.0

**Table 2: Discipline**

	Frequency	Percent
Science	280	26.6
Arts	291	27.7
Commerce	447	42.5
Other	34	3.2
Total	1052	100.0

**Table 3: Annual Family income**

	Frequency	Percent
Less than 200000	116	11.4
200001-400000	189	18.5
400001-600000	218	21.3
600001-800000	155	15.2
800001-1000000	118	11.5
More than 1000000	226	22.1
Total	1022	100.0

**Table 4: Level of education**

	Frequency	Percent
Undergraduate	747	74.3
Postgraduate	259	25.7
Total	1006	100.0

## 5. Results & Analysis

### Level of Financial Literacy

*Objective 1: To measure the level of Financial Literacy of higher education institutions.*

This study divides financial literacy score into three categories: High level of financial literacy is defined as score more than equal to 14.4, a Medium level is defined as more



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than equal to 9.6 less than 14.4, and a low level is less than 9.6. The maximum score is 24 (12 questions each on financial knowledge and financial awareness). A score of 60 % and above is deemed as high, a score of 40 % and above but below 60% is deemed as a medium. The overall level of financial literacy is found to be medium with a mean score of 13.70. The results indicate that Delhi University students have a medium level of financial literacy with mean score 13.70 (Maximum possible score is 24).

*Objective 2: To measure the level of financial literacy across gender, disciplines, family income groups and level of education.*

**Table 5: Mean score of Financial Literacy, Financial Awareness and Financial Knowledge across level of study**

		Financial Awareness	Financial Knowledge	Financial Literacy
Level of education	Graduate 1 <sup>st</sup> Year	6.35	6.57	12.91
	Graduate 2 <sup>nd</sup> Year	6.73	6.53	13.26
	Graduate 3 <sup>rd</sup> Year	7.09	6.93	14.02
	PG 1 <sup>st</sup> Year	7.31	7.03	14.33
	PG 2 <sup>nd</sup> Year	7.41	6.79	14.20

It can be seen that as a level of education increases, the level of financial awareness and financial knowledge increases and so does financial literacy. This shows that higher education has a positive impact on financial literacy; however; the component financial awareness is contributing more to the increase in financial literacy than financial knowledge. This means that students are becoming more aware but not knowledgeable.

### **Financial Literacy Level of Males and Females**

The mean score of Financial Literacy of male students is 14.24 and female students are 13.21. Mean score of Males is high compared to mean score of Females. Both males and females fall into the medium level of Financial Literacy category.

Mean score of financial awareness of male students is 7.34 (maximum possible score 14), and female students are 6.62. Mean score of financial knowledge of male students is 6.9 (maximum possible score 14) and female students are 6.59.

**Table 6: T-test for Equality of Means of Financial Literacy, Financial Awareness and Financial Knowledge (Gender-Wise)**

	Male	Female	T	Sig. (2-tailed)
Financial Literacy	14.24	13.21	3.797	0
Financial Awareness	7.34	6.62	4.713	0
Financial Knowledge	6.90	6.59	2.044	0.041

\*Variances is not equal in all cases, so Equal variances not assumed for t - test

Table 6 results shows that level of Financial Literacy of male (score: 14.24) students is significantly more than the level of Financial Literacy of female (score: 13.21) students at 5%.

Males have significantly high financial knowledge and high financial awareness as compared to females and consequently high Financial Literacy. This is in consonance with various other studies conducted abroad (Danes, 1987; Volpe et al. (1996); Lusardi (2009); Brau).

**Table 7: Financial Literacy (Gender wise, Domicile-wise and Discipline-wise)**

		(Discipline)	Financial Literacy Mean	CATEGORY
Male		Science	13.87	MEDIUM
		Arts	12.89	MEDIUM
		Commerce	15.15	HIGH
Female		Science	12.65	MEDIUM
		Arts	12.15	MEDIUM
		Commerce	14.11	MEDIUM

The above table shows that male respondents on an average have medium financial literacy, except males belonging to commerce background who have a high score on financial literacy. Females whether belonging to any stream and origin have a medium score.

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### Financial Literacy Level of Undergraduates and Post Graduates

There is a medium level of financial literacy in UG student and PG students, however, on the basis of t statistic, we can say that PG students have more financial literacy in comparison to UG students. This shows that level of education progresses, and the students become more Financially literate.

**Table 8 : T-test of Delhi university students (Undergraduate verses Postgraduate)**

	UG	PG	T	Sig. (2-tailed)
Financial Awareness	6.79	7.36	-3.078	0.002
Financial Knowledge	6.71	6.90	-0.949	0.343
Financial Literacy	13.5	14.25	-2.205	0.028

*\*Variances is not equal in all cases, so Equal variances not assumed for t - test*

There is a significant difference in Financial Awareness in UG students and PG students (from p-value). Financial Awareness is increasing with education but not Knowledge.

### Financial Literacy Level of Students of Various Disciplines

On the basis of Levene Statistic there is no homogeneity of variances in financial literacy and financial awareness across disciplines.

**Table 9: Result of Kruskal Wallis Test**

	Financial Awareness	Financial Knowledge	Financial Literacy
Chi-Square	20.937	47.343	46.548
Df	2	2	2
Asymp. Sig.	.000	.000	.000
<i>b. Grouping Variable: Discipline</i>			

**Table 10: Multiple Comparisons**

Variable			Sig.
Financial Literacy	Commerce	Science	0.001
		Arts	0
Financial Knowledge	Commerce	Science	0
		Arts	0
Financial Awareness	Commerce	Arts	0

*\*Equal variance not assumed, used Tamhane's T2 for multiple comparison*

There is significant difference in financial literacy levels of students belonging to science-commerce & arts-commerce. However, there is no significant difference in financial literacy of students belonging to science and arts. Commerce students have significantly higher Literacy level (mean score: 14.55) as compared to arts (mean score: 12.48) and science (mean score: 13.32). There is also a significant difference in financial awareness of science and commerce students. Commerce students have greater financial awareness as compared to other categories. As far as arts and science students are concerned, the financial awareness level is not significantly different.

**Table 11: Mean score across disciplines**

Discipline	Financial Literacy	Financial Knowledge	Financial Awareness
Arts	12.48	6.06	6.41
Science	13.32	6.47	6.84
Commerce	14.55	7.26	7.28

### Financial Literacy Level of Students Belonging to Different Family Income Groups

On the basis of Levene Statistic there is no homogeneity of variances in financial literacy and Financial Awareness across Family income groups, so we go for non-parametric tests.

**Table 12: Result of Kruskal Wallis Test**

	Financial Literacy	Financial Knowledge	Financial Awareness
Chi-Square	21.364	22.455	15.382
Df	5	5	5
Asymp. Sig.	.001	.000	.009

**Table 13: Multiple comparison across Family Income groups**

Dependent Variable			Sig.
Financial Literacy	Less Than 2 Lakh	200001 – 400000	0
		600001 – 800000	0.04
	200001 – 400000	600001 – 800000	0.006
		800001 -1000000	0.033

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Financial Knowledge	Less Than 2 Lakh	800001 -1000000	0.003
	200001 – 400000	800001 -1000000	0.004
	800001 -1000000	400001 – 600000	0.017
Financial Awareness	200001 – 400000	600001 – 800000	0.004
	400001 – 600000	600001 – 800000	0.043
	600001 – 800000	200001 – 400000	0.004

*\*Equal variance not assumed, used Tamhane's T2 for multiple comparison*

At 5% significance level, there is a difference in the financial literacy level of students belonging to less than 2 lakh family income group and those belonging to more than two lakhs and up to eight lakhs. The same results can be observed for financial knowledge and financial awareness.

At low levels of family income, financial literacy levels are low and increase as income increases. However, when the income crosses ten lakhs, the literacy levels decline. Students belonging to low-income category have a low level of financial knowledge as their families may not have a surplus to invest. However, as family income increases, money matters are discussed at home and children may also be involved in this. After income crosses a level, students can afford to be less financially concerned, and their money matters become far less important to them.

**Table 14: Mean score across family income**

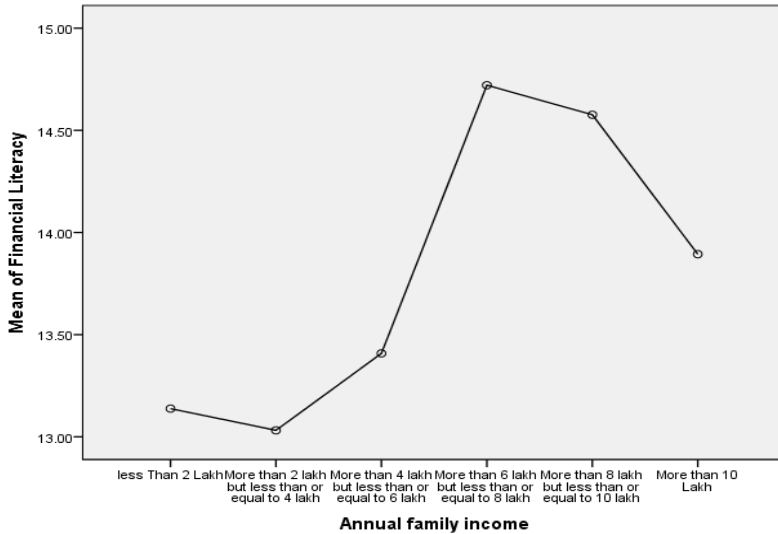
Annual family income	Financial Literacy	Financial Knowledge	Financial Awareness
less Than 2 Lakh	13.14	6.32	6.82
200001-400000	13.03	6.45	6.58
400001-600000	13.41	6.60	6.60
600001-800000	14.72	7.16	7.56
800001-1000000	14.58	7.52	7.06
More than 10 Lakh	13.89	6.79	7.11

**Table 15: Gamma co-efficient of Income versus Financial Literacy**

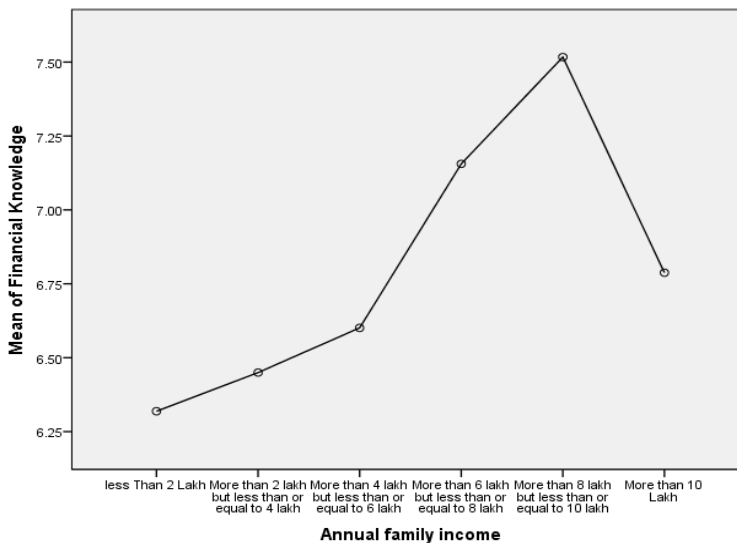
		Value	Approx. T <sup>b</sup>	Approx. Sig.
Ordinal by Ordinal	Gamma	.080	3.158	.002

Table 15 shows that family Income and financial literacy have significant positive relationship. As family income level increases, financial literacy level increases upto a certain level as represented by the following graph.

**Figure 1: Financial Literacy & Income**

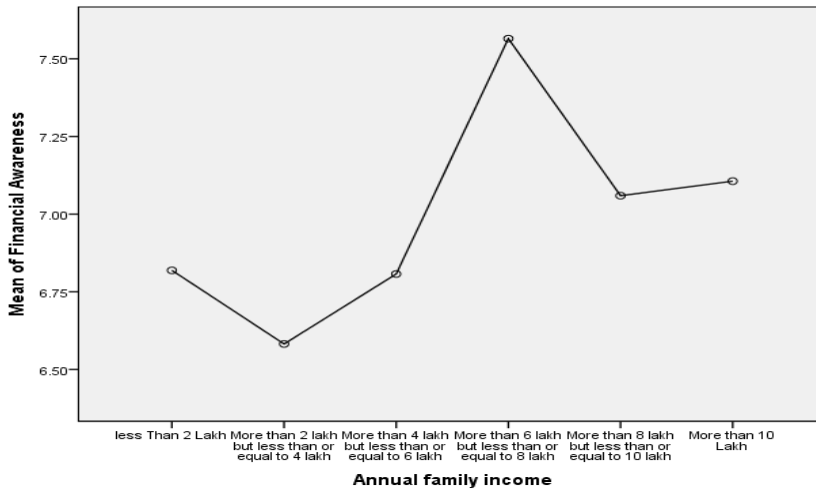


**Figure 2: Financial knowledge & Income**



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**Figure 3: Financial awareness and Income**



As can be observed from the above mean plots, Financial Awareness, Financial Knowledge, and Financial Literacy increase steadily until a level of income reaches after which these characteristics dip.

*Objective 5: To know the sources of level of Financial Literacy of Delhi university students.*

**Table 16: Sources of Financial Literacy**

Learning Financial Literacy	Percentage of students
Learnt from Parents	73.40
Learnt from school teacher	46.71
Learnt from college teacher	46.43
Learnt from website	46.24
Learnt from Friends	45.77
Learnt from Text Book	42.48
Learnt from Relative	42.20

The above table shows that 73% of the students attribute their financial literacy to parents. Teachers (school and college) are sources for 46% of the students. Relatives and textbooks are cited by the lowest percentage of students (42%). This means that most of

the working knowledge of students comes from home and as per their perception, a role of school and college teachers is limited. Moreover, textbooks are seen as the cited by the least percentage of students. The role of teachers and textbooks is not helpful as per the students so there is a gap which should be addressed and application-based teaching and experiential learning based on simulation projects should be encouraged.

**Table 17: Financial Knowledge questions –ranked as per highest number of correct responses**

	Numbers	Percentage	Rank
K--Primary objective Insurance policy	757	71.20%	1
K--Service Tax in air conditioned restaurant	755	71.00%	2
K—Subject matter of Insurance policy	726	68.30%	3
K-- Taxes on buying readymade garments	686	64.50%	4
K--Time value of Money	653	61.40%	5
K--Risk and Return	647	60.90%	6
K--Risk in various investments Options	598	56.30%	7
K--Bank credits Amount in your Savings Account-Meaning	587	55.20%	8
K—Inflation	462	43.50%	9
K--Different Banks/Post office accounts	451	42.40%	10
K--Compounded Interest Rates	436	41.00%	11
K--Account payee cheque-Impact	405	38.10%	12

The above table ranks the questions on the basis of highest percentage of correct answers. The questions on insurance & service tax were answered by the highest number of respondents. A possible reason can be general principles of insurance which are taught at the school level before specialization. All the students go out for eating, and they are naturally aware of service tax which increases the bill amount. Banking, inflation, interest rates are the grey areas which were answered by roughly 40% of the respondents. These areas are of utmost practical importance and hence, it seems that students are missing out on working knowledge of finance. Questions on risk and return, time value of money and comparison of various investment options were answered roughly by 50-60% of the respondents which shows that there is a scope of improvement and separate modules can be developed which focus on investment and portfolio management with simulation projects as theoretical knowledge is not helping half of the student community.



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**Table 18: Financial Awareness questions: ranked as per highest number of correct responses**

	Numbers	Percentage	Rank
A--Financial Year in India	880	83.00%	1
A--Shares of a company can be purchased from	754	71.10%	2
A--Credit Card	727	68.60%	3
A--PAN Card issuing Authority	700	66.00%	4
A--Name of Stock Exchange	686	64.70%	5
A--KYC Full form	664	62.60%	6
A--Pradhan Mantri Jan-Dhan Yojana	598	56.40%	7
A--Savings account in post office	594	56.00%	8
A--Tax benefit on education loan	564	53.20%	9
A--Minor savings account in a bank	487	45.90%	10
A--Accounts offering highest rate of interest	483	45.60%	11
A--Minimum investment in Mutual Funds	277	26.10%	12

As far as financial awareness is concerned, here also questions on banking, interest rates. Investment was the least correctly answered. This affirms the findings that low levels of literacy are attributable to lack of knowledge about working of banking system, different accounts, interest rates and evaluation of investment options. The financial awareness schemes are not having the desired impact as the young generation is not aware of the difference between various bank accounts, which account offers the highest interest rate, which investment options are more desirable from risk –return perspective etc.

*Objective 3: To know “Is there any relationship between financial literacy, financial attitude and financial behaviour”*

**Table 19: Karl pearson correlation between Financial Literacy, Financial Attitude and Financial behaviour**

		Financial Behaviour	Financial Attitude
Financial Literacy	Pearson Correlation	.074	.124
	Sig. (2-tailed)	.016	.000
	N	1063	1063

There is a significant positive correlation between financial literacy, financial attitude, and financial behaviour. This implies that high levels of financial literacy are associated

with desirable financial behavior and positive financial attitude so the same can be influenced by improving the levels of literacy.

## 6. Conclusion

The financial literacy level of students belonging to higher education institutions in India is found to be medium with a mean score of 13.69. The medium score is defined as answering 40%-60% of the questions on financial knowledge and financial awareness. Males are found to have greater financial literacy as compared to females, however, both fall in the medium category. This is in consonance with major studies conducted worldwide (Danes, 1987; Volpe et al. (1996); Lusardi (2009); Brau). As far as income groups are concerned, financial literacy levels show “S” shaped relationship with respect to income levels. At low levels of family income, financial literacy levels are low and increase as income increases. However, when the income crosses ten lakhs, the literacy levels decline. Students belonging to low-income category have a low level of knowledge as their families may not have a surplus to invest. However, as family income increases, money matters are discussed at home and children may also be involved in this. After income crosses a level, students can afford to be less financially concerned, and their money matters become far less important to them. There is a significant difference in financial literacy levels of students belonging to science-commerce & arts-commerce. However, there is no significant difference in financial literacy of students belonging to science and arts. Commerce students have significantly higher literacy level as compared to arts and science. This result is logical as commerce students have more knowledge of business and related financial terms as the fact that commerce field encompasses knowledge of banking, insurance, taxation, investment, interest rates which contribute to financial literacy.

On the basis of a level of education, a significant difference is observed in the financial literacy levels of undergraduate and postgraduates. Post graduate students have higher financial literacy as compared to undergraduates. It can be seen that as a level of education increases, a level of financial awareness and financial knowledge increases and so does financial literacy. This shows that although college education has a positive impact on financial literacy, the component financial awareness is contributing more to the increase in financial literacy than financial knowledge.

As far as influences are concerned, 73% of the students attribute their financial skills to their parents. Teachers (school and college) are sources for 46% of the students. Relatives and textbooks are cited by the lowest percentage of students (42%). This means that most of the working knowledge of students comes from discussions at home and as per

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their perception, a role of school and college teachers is limited. Moreover, textbooks are seen as the cited by the least percentage of students. The role of teachers and textbooks is not helpful as per the students so there is a gap which should be addressed and application-based teaching and experiential learning based on simulation projects should be encouraged. Textbooks can also be designed with practical examples. Students had the least knowledge and awareness on the banking sector, interest rates, inflation and investment options. These are the major areas which are of utmost practical utility and should be the focus of classroom learning.

A positive correlation is found between financial literacy; financial behavior and financial attitude. This shows that desirable financial behaviour and positive financial attitude can be fostered by increasing the levels of financial literacy.

The literacy level of college students in India is found to be medium. Following are the policy implications based on the findings of the study:

- 1) All major streams could incorporate a paper on personal finance just like Environmental Studies and English courses in undergraduate syllabus presently. Financial literacy is akin to a crucial life skill and all students irrespective of their specialization require financial literacy.
- 2) Most of the respondents could not answer basic questions on the banking system, interest rates, inflation, and investment. These topics can be included in a separate module which can be offered as an elective.
- 3) Females are shown to have low levels of literacy as compared to males as this is the phenomenon observed worldwide. Vocational courses could be introduced in colleges which give preference to female students for admission in the form of relaxed eligibility norms and fees concessions. Extra credit may also be provided for females completing such courses.
- 4) The government can also focus its financial awareness programs in schools and colleges across India

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