

FINANCIAL LITERACY LEVELS OF COMMERCE STUDENTS- A SELECT STUDY

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ABSTRACT

The financial sector of India is diversified. It is undergoing a rapid expansion in terms of both financial services and products and also the firms offering them have increased. Financial literacy has become the need of the hour due to growing financial markets which are flooded with a great variety of innovative financial services and products. Financial literacy in simple terms is the knowledge, skill and ability of an individual which allows in making informed financial decisions. It is an art as well as a science which helps in better money management by teaching the skills of budgeting as well as principles of sound financial planning thereby ensuring financial well being of the individuals. Hence, an attempt is made in this paper to measure the financial literacy levels of Commerce students of Osmania University College for Women, Koti, Hyderabad by taking a sample of 100 respondents. Chi-square test is used to analyse the relationship between demographic, socio-economic factors and financial literacy level. Age and education of the respondents are the crucial factors influencing their level of financial literacy. Measures are also suggested to improve their levels of financial literacy. A fundamental course comprising of various financial concepts should be made as a part of their curriculum making it a mandatory course for all disciplines to impart financial literacy.

KEYWORDS: Financial Literacy, Commerce, National Financial Educators Council (NFEC) Know Your Customer (KYC), Low Financial Literacy (LFL), High Financial literacy (HFL)

INTRODUCTION

India is a hastily developing economy in terms of high-quality education that is incredibly tons needed for its future prosperity. India is at present in a youngster bulge section with the most important childhood public within the world. This demographic change can be a good weapon boosting up the economic process and development which the country is aiming at, provided it modernises and expands its education system improving the financial literacy levels of youth by imparting the required financial skills to them. A subject of great concern among the researchers, policymakers and different stakeholders is financial literacy. Improved access to the financial services plays a crucial role in reducing the poverty, boosting up the growth and ensuring the targeted development of the country. Better and increased access to the financial services can be achieved through the improved financial literacy. Individuals to ensure improved access to financial services and to make sound financial decisions have to possess some amount of financial skills, knowledge and expertise. It is financial knowledge which provides them with the analytical abilities to make higher and knowledgeable choices by assisting them in managing their finances better making them self reliant. This has necessitated the growing need for financial literacy.

NFEC defines as “Possessing the skills and know-how on financial matters to confidently take effective action that pleasant fulfils an individual’s personal, family and global community goals”¹.

To put simple and straight financial literacy is grasping and applying the skills of financial management. Planning for one’s personal finances, managing the debt, also effectively calculating the interest and understanding the time value of money are the features of being financially literate. Financial literacy is of great significance not just for males and females but for the entire youth as such. It is the financial literacy which turns them into knowledgeable selection makers providing them with the thorough understanding about fundamentals of personal finance instructing them the capabilities of cash management. Youth can turn themselves into informed decision makers with the improved financial literacy.

OBJECTIVES OF THE STUDY

- To measure the basic financial literacy of Commerce students.
- To find out the relationship between financial literacy and demographic and socio-economic factors
- To suggest the measures to improve their financial literacy levels.

REVIEW OF LITERATURE

Bharucha J.P(2019) studied the factors which determined the personal financial literacy level among the youth in Mumbai by collecting the data from 650 respondents. The study revealed that having children in the family was the most significant variable which had a positive correlation with that of financial literacy apart from employment and education which were the other factors that had a positive correlation with financial literacy. Further, females exhibited a low level of financial literacy compared to males.

Neha Garg (2018) attempted to assess the youth financial literacy levels across the world by reviewing the past studies related to financial literacy. An effort was made to study whether there exists a relationship between financial attitude, financial behaviour and financial knowledge with the demographic and socio-economic factors. In many parts of the world youth exhibited low financial literacy levels. Factors like educational qualification, gender, age, income and marital status had a significant impact on the youth financial literacy levels. Further, it was observed that financial behaviour, financial attitude and financial knowledge were inter-related with each other.

J.D. Jayaraman, Saigeetha Jambunathan (2018) analysed Indian high school students financial literacy levels. Sample of 608 students were selected for the study. 45% of the students answered correctly the questions on basic financial literacy whereas only 44% of them could answer correctly questions on advanced financial literacy. The analysis clearly showed that low level of financial literacy was exhibited by the students in spite of high levels of numeracy possessed by them as they were not able to make use of this knowledge for making financial calculations. Higher financial literacy was exhibited by Commerce students than Science students who exhibited a low financial literacy. Also, female students outperformed male students. Further, it is suggested that parents’ involvement, societal and macroeconomic factors have a great impact on the students financial literacy levels. Hence it is suggested that there should be parents’ involvement and focus more on hands-on practice for improving students’ financial literacy levels.

Mani Goswami and Karan Dhawan (2017) examined the financial literacy level of students studying in private and government higher education institution in Delhi, NCR. Sample of 100 students falling in the age group of 18-30 years

were selected for the study. From the analysis, it was clear that the financial behaviour of students was not influenced by the factors like age, gender, level of education, household annual income but it was greatly influenced by the factors like the occupation of parents, source of income and discipline of study.

Sekar.M and Gowri.M (2015) studied the employees' financial literacy levels in Coimbatore city. 189 respondents knowledge on concepts like risk & return, insurance, savings, borrowings, investments and financial numeracy was tested. Further, their knowledge of financial attitude and behaviour was also examined by asking questions on them too. Gender, income, education, number of dependents and marital status are the major factors which influenced the financial literacy level of the employees but age has no significant impact on their financial literacy level. Analysis clearly indicated that employees' financial literacy level is low for which more initiatives are to be taken by the government.

Marzieh Kalantarie Taft, Zare Hosein, Seyyed Mehrizi. (2013) through their analysis revealed that education and age were the significant factors which are positively correlated with the financial literacy and financial well being. Men and married people were more financially literate. Further, the study highlighted that financial well being and lesser financial concerns are possible through increased financial literacy levels.

Abraham Ansong and Michael Gyensare (2012) attempted to identify the factors which determined the financial literacy of students studying in public university in Ghana. A sample of 250 was selected comprising of U.G and P.G students. In order to study the relationship between the variables correlation research design was used. Positive impact was exhibited by factors like mother's education, work experience and age on financial literacy whereas education of father, work location, educational qualification, media accessibility, and information sources on money-related issues had no significant correlation with financial literacy. Also, mother's education showed a significant positive correlation with financial literacy. Educational programs for basic and high school level students must be designed comprising of financial concepts by involving parents, which can better improve their financial behaviours leading to increased financial literacy levels.

METHODOLOGY

Primary data is collected for the selected study by administering a structured questionnaire to the Commerce students. A sample of 100 respondents of Osmania University College for Women, Koti is selected for the study consisting of only Commerce students.

To measure their level of financial literacy, questions were asked in the areas of numeracy, compound interest, diversification, investment, inflation, KYC, risk and return etc.

The total score for each of the respondents is calculated. The percentage of correct answers i.e. median percentage is taken to determine the level of financial literacy and divide them into groups. The respondents whose scores were above median are categorized as respondents with higher financial literacy and those with scores equal to or less than median are considered as respondents with relatively lower financial literacy.

The following hypotheses are developed:

Hypothesis1: H_0 : No significant relationship exists between age and the financial literacy level.

Hypothesis2: H_0 : No significant relationship exists between level of education and the financial literacy level.

Hypothesis 3: H₀: No significant relationship exists between father's education and the financial literacy level.

Hypothesis 4: H₀: No significant relationship exists between father's occupation and the financial literacy level.

Hypothesis 5: H₀: No significant relationship exists between mother's education and the financial literacy level.

Hypothesis 6: H₀: No significant relationship exists between mother's occupation and the financial literacy level.

Hypothesis 7: H₀: No significant relationship exists between the income level and the financial literacy level.

Chi-Square test is used to test the hypotheses developed above at a 5% level of significance.

ANALYSIS OF THE DATA

Table 1: Profile of the Respondents

Age(in years)	Respondents	%
17-19	40	40
19-21	60	60
Education		
First Year	20	20
Second Year	32	32
Final Year	48	48
Father's Education		
S.S.C	64	64
Secondary	12	12
Graduate	18	18
P.G	6	6
Father's Occupation		
Government Employee	12	12
Private Employee	42	42
Business	46	46
Mother's Education		
S.S.C	70	70
Secondary	14	14
Graduate	16	16
P.G	Nil	Nil
Mother's Occupation		
Housewife	94	94
Government Employee	Nil	Nil
Private Employee	4	4
Business	2	2
Last year's Family Income (Annual)		
Below ₹ 2 lakhs	66	66
₹ 2-4 lakhs	20	20
₹ 4-6lakhs	8	8
₹ 6-8lakhs	6	6
Above ₹ 8 lakhs	Nil	Nil
Total	100	100

(Source: Based on primary data collected from respondents)

Table 2: Financial Literacy Scores

Financial literacy scores	Respondents	%
High Financial Literacy	50	50
Low Financial Literacy	50	50

Total	100	100
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(Source: Based on primary data collected from respondents)

Table 3

Basic Financial Literacy Questions	Number of Respondents with Correct Answers	Percentage of respondents with Correct Answers	Number of Respondents with Incorrect/Don't know Answers	Percentage of Respondents with Incorrect/Don't know Answers	Rank
Numeracy	70	70	30	30	4
Time value of money	42	42	58	58	13
Compound Interest	58	58	42	42	6
Diversification	50	50	50	50	10
Inflation	46	46	54	54	11
Stock market functioning	90	90	10	10	2
Investment	70	70	30	30	4
Disposable income	52	52	48	48	9
Financial worth	64	64	36	36	5
Types of Bank accounts	76	76	24	24	3
Regulatory body as a part of market structure	70	70	30	30	4
KYC	94	94	6	6	1
Allocation of asset	56	56	44	44	7
Trade off between risk – return of two assets	58	58	42	42	6
Interest and asset prices relationship	54	54	46	46	8
Consumer Rights & Responsibility	64	64	36	36	5
Risk	58	58	42	42	6
Relationship between fluctuation and investment time horizon	44	44	56	56	12
Relationship between asset growth and investment time horizon	28	28	72	72	14

(Source: Compiled based on primary data collected from respondents)

Cross Tabulation of Age of the Respondents with that of their Level of Financial Literacy

H₀: No significant relationship exists between age and their level of financial literacy.

H₁: Exists a significant relationship between age and their level of financial literacy.

Table 4: Level of Financial Literacy and Age

Level of Financial Literacy	19-21 (years)	17-19 (years)	Total	Chi-square Value	p-Value	Result

LFL	20	30	50	16.66	0.00	Significant
HFL	40	10	50			
Total	60	40	100			

(Source: Primary Data collected from respondents)

The X^2 Value is greater than the Table Value i.e. **16.66 > 3.84** at 5% level of significance for 1 degrees of freedom. Also, the p Value i.e. 0.00 is lesser than 0.05. Therefore, the Null hypothesis is **rejected**. Hence, it is accepted that there exists a **significant relationship** between **age of the respondents** and their **financial literacy levels**.

Cross tabulation of Educational Level of Respondents with that of their Financial Literacy Level

H₀: No significant relationship exists between level of education and their level of financial literacy

H₂: Exists a significant relationship between level of education and their level of financial

Table 4: Level of Financial Literacy and Education

Level of Financial Literacy	Final Year	Second Year	First Year	Total	Chi Square Value	p Value	Result
LFL	16	20	14	50	10.53	0.01	Significant
HFL	32	12	6	50			
Total	48	32	20	100			

(Source: Primary data collected from respondents)

The X^2 Value is greater than Table value i.e. **10.53 > 5.99** at 5% level of significance for 2 degrees of freedom. Also, 0.01 i.e. the p-Value is lesser than 0.05. Hence, the Null hypothesis is **rejected**. Therefore, H₂ is accepted that there exists a **significant relationship** between the **financial literacy levels** of the respondents with that of their **level of education**.

Cross Tabulation of the Respondents Financial Literacy Level with that of their Father's Education

H₀: No significant relationship exists between the education of the father and their financial literacy level

H₃: Exists a significant relationship between the education of the father and their financial literacy level

Table 5: Financial Literacy and Father's Education

Level of Financial Literacy	S.S.C	Secondary Education	Graduate	P.G	Total	Chi Square Value	p Value	Result
Low	28	8	12	2	50	5	0.17	Not Significant
High	36	4	6	4	50			
Total	64	12	18	6	100			

(Source: Primary data collected from respondents)

The X^2 value is less than the Critical value i.e. **5.00 < 7.81** at 5% level of significance for 3 degrees of freedom. Also, the p-Value i.e. 0.17 is more than 0.05. Therefore, it is accepted that the **education of the father has no significant relationship** with that of the **respondents' level of financial literacy**. Hence, the Null Hypothesis is accepted.

Cross Tabulation of Financial Literacy Level of the Respondents with that of their Father's Occupation

H₀: No significant relationship exists between the Occupation of the father and their financial literacy level.

H₄: Exists a significant relationship between the Occupation of the father and their financial literacy level.

Table 6: Father's Occupation and Financial Literacy

Level of Financial literacy	Government Employee	Private Employee	Business	Total	Chi Square Value	P Value	Result
LFL	6	16	28	50	4.55	0.10	Not Significant
HFL	6	26	18	50			
Total	12	42	46	100			

(Source: Primary data collected from respondents)

The X² value is less than the Critical value i.e. $4.55 < 5.99$ at 5% level of significance for 2 degrees of freedom and the p-Value is 0.10 which is greater than 0.05. Therefore, it is accepted that **no significant relationship exists** between the **financial literacy level** of the respondents with that of their **father's occupation**.

Cross Tabulation of Financial Literacy Level of the Respondents with that of their Mother's Education

H₀: No significant relationship exists between mother's education and the financial literacy level

H₅: Exists a significant relationship between mother's education and the financial literacy level

Table 7: Mother's Education and Financial Literacy

Financial Literacy Level	S.S.C	Secondary Education	Graduate	P.G	Total	Chi Square Value	P Value	Result
LFL	38	6	6	0	50	1.80	0.61	Not Significant
HFL	32	8	10	0	50			
Total	70	14	16	0	100			

(Source: Primary data)

The X² value is less than the Critical value i.e. $1.80 < 7.81$ at 5% significance level and the p Value i.e. 0.61 is more than 0.05. Hence, it is **accepted** that the respondents' level of financial literacy is not significantly related with that of **their mother's education**. Therefore, **Null Hypothesis is accepted**.

Cross Tabulation of the Level of Financial Literacy of the Respondents with that of their Mother's Occupation

H₀: No significant relationship exists between the occupation of mother and the financial literacy level.

H₆: Exists a significant relationship between the occupation of mother and the financial literacy level.

Table 8: Mother's Occupation and Financial Literacy

Level of Financial Literacy	Housewife	Government Employee	Private Employee	Business	Total	Chi Square Value	P Value	Result
LFL	48	0	2	0	50	2.04	0.56	Not Significant
HFL	46	0	2	2	50			
Total	94	0	4	2	100			

(Source: Primary data collected from respondents)

The X^2 value is less than the Critical value i.e. $2.04 < 7.81$ at 5% level of significance for 3 degrees of freedom and the p-Value 0.56 is greater than 0.05. Therefore, it is **accepted** that the **mother's occupation has no significant relationship** with that of the **respondents financial literacy levels**.

Cross Tabulation of Financial Literacy Level of Respondents with that of their Family Income

Ho: No significant relationship exists between income of the family and the financial literacy level

H₇: Exists a significant relationship between income of the family and the financial literacy level

Table 9: Income of the Family and Financial Literacy Level

Financial Literacy Level	Below ₹2 lakhs	₹ 2to 4 lakhs	₹ 4 to 6 lakhs	₹ 6 to 8 lakhs	Above ₹8 lakhs	Total	Chi Square Value	P Value	Result
LFL	28	12	6	4	0	50	4.98	0.29	Not Significant
HFL	38	8	2	2	0	50			
Total	66	20	8	6	0	100			

(Source: Primary data collected from respondents)

The X^2 value is less than Critical value i.e. $4.98 < 9.48$ at 5% level of significance for 4 degrees of freedom. Also, 0.29(p Value) is greater than 0.05. Hence, it **agreed** that there **exists no significant relationship** between **income of the family with that of financial literacy level** of the respondents.

RESULTS AND CONCLUSIONS

The above analysis clearly depicts that the respondents financial literacy level is only 50% which emphasises on the need to increase the awareness among the students on finance related issues. Chi-square test has been used in the analysis with respect to age, education of the respondents and level of financial literacy. The p Values 0.00, 0.01 with respect to age and education are less than the significance level i.e. 0.05. Therefore, Null Hypothesis is accepted that age and education of the respondents have significant association with the level of financial literacy. It is also observed that p values in case of parental education, occupation and family income are more than the significance level(0.05) which are 0.17, 0.10, 0.61, 0.56, 0.29 respectively. Hence, results suggest that the level of financial literacy of the respondents is not affected by their parental educational qualification, their occupation and family income. Therefore, it can be concluded that age and level of education are the crucial factors influencing the financial literacy levels of the respondents. Thus, it has become inevitable to provide proper financial literacy and information on the financial issues. The study highlights the necessity to improve the students' financial literacy levels as they are future of the country.

SUGGESTIONS

Here are some of the suggestions to improve the student's financial literacy levels:

- A fundamental course comprising of various financial concepts should be made as a part of their curriculum making it as a mandatory course for all disciplines which helps in imparting financial literacy among the students.
- Students should be asked to draft a budget of their pocket money which teaches them the basics of managing their finances.

- Access to websites like Swayam and various other free online portals can better improve their financial literacy levels by conducting online test on financial knowledge.
- Workshops and seminars should be conducted more often so that the students are given real time exposure on various financial concepts.
- Develop positive financial attitude among the students by inculcating the habit of planning and saving, budgeting, bringing awareness on consumer rights, risk and return is very much needed.

Society at large will be benefitted provided, the financial literacy levels of our students i.e. youth is improved. A country greatly depends on youth as they contribute to its growth and by development through their active participation. Better learned youth are always an asset to the country as they future torch bearers. Economic growth would be meaningful only in light of financially literate youth. Bright future of our country lies in the hands our active youth, therefore focus must be laid on improving their financial literacy levels of the youth.

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