A study of financial literacy of undergraduate students in Ayodhya District

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Abstract: - Financial literacy is becoming more and more significant as it has become necessary for people to learn the skills necessary to function in today's society and deal with the complexity and diversity of the financial products and services that are accessible. The capacity to make wise decisions about the use and management of money is referred to as financial literacy.
It enables people to enhance their overall wellbeing and make plans for their security in the future. By assessing the impact of numerous demographic parameters such gender, age group, study discipline, level of study, annual household income, parent's occupation, and source of income to the students, the study's primary goal is to analyse the degree of financial literacy among college students.

Key words:- Financial literacy, financial knowledge, literacy

INTRODUCTION

A vital measure of any nation's development is its level of literacy. Since the NITI Aayog report clearly outlines the rising trend of literacy in India, people are more aware of the necessity for literacy nowadays. Any economy's growth and development are dependent on its financial system. Financial literacy is the only effective approach for accomplishing the financial system.

People who are financially literate may successfully navigate the financial world, make wise investment decisions, and reduce their risk of being duped. The term "financial literacy" has gained popularity recently and is crucial to the global economy. There are many complicated modern products on the market as a result of globalisation and liberalisation. The ability, skill, and attitude of a person to manage personal finances based on knowledge of the various investment options available in the market constitutes financial literacy, which is the education and understanding of various financial products. Personal financial management is the main focus of financial literacy.

The capacity to make wise decisions about the use and management of money is referred to as financial literacy. Therefore, a person's skills, knowledge, attitudes, and finally their financial behaviour make up their financial literacy.

The ability to navigate the financial world, make wise financial decisions, and reduce the likelihood of being deceived about money all result from having financial literacy abilities. The deregulation of financial markets, the easing of credit access as financial institutions fiercely compete for market share, the rapid expansion of financial product development and marketing, and the government's encouragement of people to assume more responsibility for their retirement incomes have all increased the need for financial literacy. Particularly young individuals must comprehend the fundamentals of investing, long-term planning, and the differences between short- and long-term investments, the relationship between risk and return, and the effects of inadequate retirement planning.

Individual financial decisions have a very big impact on the economic success and growth. Financial innovations are being made on a regular basis, which is changing the available channels for financial inclusion. Prudent financial investment is urgently required. In other words, clever financial planning is becoming increasingly important for a person's financial security. (2016) Garima Baluja

The dynamic financial sector of today has increased each person's duty for handling their own finances and protecting them more deftly. Individuals must consequently have a deeper awareness of the trends in the financial sphere. (2013) Kumar, S., and Anees, M. By no means does it sound like doing the same is simple. In brief, financial literacy is essential for an individual's financial planning. (2016) Garima Baluja

Without a question, a nation's dynamic youth force plays a significant role in its progress. It's important to harness youth excitement and shape it toward beneficial contributions to society. Our policy makers should ensure that the youth's energy is used to the utmost extent possible. India's rapidly growing young population has created a number of new doors for the country to openly explore. To make the most of it, our nation's policymakers now hold the key.

According to the 2011 Census, youth make up a staggering 34.8% of India's overall population. Our overall literacy rate is 73%; if we further categorise it, male literacy is 80% and female literacy is 64%. If we look at the data from the previous census, it appears that the gender literacy gap is rapidly closing.

All of these enormous potentials must be positively utilised. Sustainable development is an important prospect for the future of development in a large country like India. The nation's youth should receive high priority in the area of sustainable development. Additionally, the force that can most significantly contribute to sustainable development is a nation's young population.

LITERATURE REVIEW

Evidence from all throughout the world shows a worrying and pervasive lack of financial literacy. Numerous nations have started financial literacy programmes as a result of the facts. The overall goals of the programmes, despite the fact that they differ greatly from one country to the next in terms of their scope and methodology, are to help people develop better financial attitudes, behaviours, and knowledge so that they can make better financial decisions for themselves and their families.

In a study of 3000 people, Agarwalla Sobhesh Kumar, Barua Samir, Jacob Joshy, and Jayanth R. Varma (2012) discovered that Indians' financial literacy is significantly lower than that of the rest of the world. However, it appears that both the employed and the retired have a favourable mindset and financial behaviour. The financial literacy of women is slightly higher than that of males. Young employees' financial behaviour has been impacted by easier access to consumption credits.

Less than one third of young adults have a working awareness of interest rates, inflation, and risk diversification, according to an analysis of wave 11 participants' financial literacy. Socio-demographic traits and family financial sophistication were both significantly correlated with financial literacy. In particular, a male with a college degree and rich parents was around 45 percentage points more likely to be aware of risk diversification than a female with less than a high school diploma and poor parents (Lusardi, Mitchell and Curto 2006).

In their study, Sages and Grable (2009) discovered that those with the lowest levels of financial risk tolerance are also the least skilled in terms of money problems, have the lowest subjective assessments of their net worth, and are less satisfied with their ability to handle their finances.

Age and work experience are positively correlated with financial literacy, according to a 2012 study by Ansong and Gyensare that involved 250 undergraduate and graduate students at Cape Coast universities. Furthermore, respondents' financial literacy is favourably connected with their mother's educational level. However, the amount of schooling, place of employment, father's educational background, availability of media, and the source of financial education have little bearing on financial literacy. In a 2008 poll of college students, Mandell (2008) computed the average accuracy rate of the questions about financial literacy by each student's major. The average of all responders, according to the outcome, is 61.9%. Even while the accuracy rate for business and economics majors is 62.4%, it is still behind that of science (64.0%), engineering (63.2%), and social science (64.0%). Additionally, according to Koshal et al. (2008), there is no statistically significant correlation between the grades of Indian MBA students and economic literacy scores.

Mwangi's (2012) study revealed that financial literacy in Kenya is still low. The findings show that household access to financial services depends less on financial literacy levels and more on variables including income levels, proximity to banks, age, marital status, gender, household size, and educational attainment. But the study found that the likelihood of a financially illiterate person continuing to be financially excluded. The study suggests creating a financial education curriculum and implementing it in local, middle-level, and higher learning institutions.

Age and education are positively connected with financial literacy and financial wellbeing, according to a 2013 study by Marzieh et al. Men and married persons have higher financial literacy levels. Financial well-being and worry about money increase with financial literacy. Last but not least, financial security reduces financial anxiety.

According to Michael (2009), people's capacity to make wise financial decisions might be hampered by a lack of financial literacy. Financial advice has the potential to replace financial knowledge and skill for those who struggle with making sound financial decisions.

924 undergraduate students from thirteen different institutions participated in a financial literacy study done by Chen and Volpe, and the aggregate mean proportion of accurate answers was only 52.87 percent. The poll looked at literacy in four key areas, looked into how it related to student characteristics, and looked at how it affected students' perspectives and choices. They discovered that students who did not major in business, were female, ranked lower in their class, were under 30, and had no work experience had lower knowledge levels. India is ranked 23rd out of the 28 nations included in the VISA analysis. According to their research, young people and children have significantly lower literacy levels than adults. The results imply that high levels of financial literacy are not common among Indians.

OBJECTIVES FOR THE STUDY

1. To comprehend the level of financial literacy among undergrads.
2. To evaluate the influence of various demographic factors like gender and education level on the level of financial literacy;
3. To determine the respondents' general financial attitudes and behaviours.

Hypotheses of the Study:

H01: There is no significant difference between the levels of financial literacy of respondents

H02: There is no significant difference between the levels of financial literacy of respondents based on their gender.

H03: There is no significant difference between the levels of financial literacy of respondents based on their age.

H04: There is no significant difference between the levels of financial literacy of respondents based on their Annual Household Income.

H05: There is no significant difference between the levels of financial literacy of respondents based on their parent’s occupation.

RESEARCH METHODOLOGY

A survey method is used to collect the primary data from the respondents using a sample of 100 students of an undergraduate students from the Ayodhya region. All the students are in the age of 18-30 years. The study used valid and reliable scales for measuring the financial literacy through structured questionnaire. Hypothesis testing was conducted through ANOVA. The hypothesis has been tested at 5% significance level.

Data analysis and hypothesis testing:

Variable	f-statistic	Significance
Gender	0.682	0.408
Age	2.187	0.140
Annual Household Income	0.610	0.435
Parent’s Occupation	8.762	0.003
Discipline of Study	3.108	0.026

CONCLUSION

According to the findings of the experiment, factors such as a person's gender, age, or annual household income are not significantly connected with the financial literacy of the respondents. Additionally, the discipline of the study and the respondents' parents' professions were found to have a substantial association with the respondents' financial literacy.

Suggestions based on the analysis:

It will be advantageous for our society, each individual, and the entire community if our young people are educated and financially savvy. The inclusion of financial literacy programmes in school curricula will expand opportunities for youth. The need to improve financial literacy among all students in all faculties should receive more attention because they are the nation's future. Any financial literacy programme should have a passionate teacher, plenty of resources, a pertinent curriculum, and community involvement. These are some suggestions based on the facts reveals after the analysis of the data .

1. On-campus courses in personal money management might be offered to students. All disciplines should be required to complete these. These courses should provide students with hands-on experience while also encouraging participation and the transmission of knowledge and financial management skills.
2. Websites that provide free, independent financial information to kids can be developed. These websites must make a commitment to educating the public on a variety of financial topics. There is no jargon. There is no selling. Simply the facts.
3. Parents can influence their children's behaviour by instilling in them positive financial attitudes such as saving habits, planning, budgeting, the concept of risk, return, consumer awareness, and so on.
4. An initiative called "Project Financial Literacy" has already been undertaken in this context. This project's main goal is to convey information about the central bank and broad banking ideas. Presentations, pamphlets, brochures, videos, and websites are used to provide information to the intended audience. To do this, the Reserve Bank has actively engaged other organizations such as commercial banks, government machinery, non-governmental organizations, schools, and colleges.

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