

Perception Towards Financial Literacy on Financial Instruments Among the Students in Commerce Department of Government Victoria College Palakkad

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Abstract- The study titled "Perception towards Financial Literacy on Financial Instruments Among the Students in Commerce Department of Government Victoria College, Palakkad" aims to evaluate and understand the level of financial awareness and literacy among students in the commerce department. It explores students' perceptions of various financial instruments, their comfort with navigating financial markets, and how these perceptions shape their financial decision-making. The study employs a descriptive and analytical approach, with data primarily collected through questionnaires from a sample of 40 students. By examining attitudes toward financial instruments, it seeks to identify gaps in knowledge and areas where the curriculum could be enhanced to better equip students for future financial challenges. Additionally, the study aims to assess the role of educators in fostering financial literacy and evaluate the overall effectiveness of current financial education strategies in preparing students for personal and professional financial management.

Key words: Financial literacy, Financial instruments

INTRODUCTION

Financial literacy, defined as the ability to understand and effectively utilize financial skills and concepts, is an essential competency in today's intricate economic environment. In particular, within academic disciplines such as the commerce department, where students are preparing for careers in business and finance, acquiring a comprehensive understanding of financial instruments becomes crucial. This study seeks to explore the perceptions of financial literacy concerning financial instruments among students in the commerce department. Understanding these perspectives is vital for educators and policymakers to design curricula and programs that address the specific financial knowledge gaps and challenges students face

in understanding and engaging with financial markets.

The global financial landscape has evolved dramatically in recent years, with innovations in financial products and services constantly reshaping investment opportunities and risk profiles. Consequently, it is more important than ever for students to be equipped with the skills and knowledge necessary to assess, understand, and participate in these financial developments. Research has highlighted a significant disparity in financial literacy levels among different demographic groups, underlining the need for targeted educational interventions. This study, by investigating students' views on financial literacy and their level of comfort with financial instruments, aims to contribute to ongoing efforts to enhance financial education, particularly within academic institutions.

The ultimate goal is to empower students in the commerce department to make informed financial decisions that not only contribute to their academic success but also foster long-term financial well-being and economic empowerment in their professional lives.

STATEMENT OF THE PROBLEM

This study addresses the gap in financial literacy among commerce students, particularly regarding their understanding of financial instruments. Despite the importance of financial knowledge for career success, many students lack awareness of financial markets and investment products. The study aims to identify the challenges students face and evaluate how well current education prepares them to make informed financial decisions.

OBJECTIVES OF THE STUDY

- To evaluate the financial awareness of students in commerce department of government Victoria college
- To understand the differential attitudes towards various financial instruments
- To assess the baseline level of financial literacy among students
- To examine the role of educators and the curriculum in promoting financial literacy in the commerce department

SCOPE OF THE STUDY

The study focuses on assessing the financial literacy of commerce students, particularly their understanding of financial instruments and decision-making processes. It covers both theoretical knowledge and practical skills essential for managing personal finances and understanding financial markets. The study also examines the role of educators and the curriculum in promoting financial literacy, aiming to provide insights that can improve financial education and prepare students for future financial challenges.

RESEARCH METHODOLOGY

The study is descriptive and analytical in nature. The study targets a random sample of 40 students from the commerce department of Government Victoria College. Primary data will be collected through a structured questionnaire, which will be distributed to the selected students. The collected data will be analysed using percentage analysis and visual representation through diagrams to gain insights into students' perceptions and understanding of financial instruments. This methodology will help assess the level of financial literacy and identify areas for improvement in financial education within the department.

REVIEW OF LITERATURE

Prerana Sarma & Arup Roy (2021): The study explores the current landscape of green financial instruments in India and identifies the need for additional instruments. Indian banks and stock exchanges have actively engaged in green finance, but

only 8 out of 18 globally recognized green financial instruments are available in the country. The research highlights the need for expanding the range of green finance tools to support sustainability initiatives. The findings provide valuable insights for regulators to enhance green finance policies in India.

Aayush Tandon (2021): This paper examines the role of transition finance in supporting low-emission economic transformation. It reviews 12 transition-relevant taxonomies and 39 financial instruments to assess their effectiveness in mitigating transition risks. The study argues that transition finance should be viewed as capital market instruments facilitating large-scale changes rather than a fixed financial category. The findings contribute to the understanding of transition finance as a key component of achieving long-term environmental goals.

Joanna Wyrwa (2020): The research investigates the financial instruments supporting Industry 4.0 investments in the European Union from 2021-2027. It highlights the need for financing mechanisms to accelerate digitalization, automation, and technological innovations in enterprises. The study identifies gaps in literature regarding financing Industry 4.0 and suggests that supportive policies are essential. The findings emphasize the role of EU financial instruments in promoting technological advancements in businesses.

Ross Brown & Neil Lee (2018): This study examines the increased use of financial instruments, such as public loans and credit guarantees, in regional economic development post-global financial crisis. It identifies access to finance as a major challenge for small businesses and argues that financial instruments can mitigate funding gaps. The research highlights the shift in government policies toward leveraging financial tools for economic growth. Findings suggest that policy adjustments are needed to maximize the effectiveness of financial instruments in different regions.

Aisa Amagir et al. (2018): This systematic review assesses the effectiveness of financial literacy education programs for children and adolescents. The study finds that school-based financial education

improves financial knowledge and attitudes, though its impact on actual behavior is limited. It suggests that experiential learning is a promising method for teaching financial literacy. The findings are useful for designing effective educational programs tailored to different age groups.

FINANCIAL LITERACY

Financial literacy is the ability to understand and effectively use financial skills, including budgeting, personal financial management, and investing.

Scope of Financial Literacy

Financial literacy covers essential skills such as:

- Budgeting and debt management
- Evaluating credit and investment products
- Understanding key financial concepts (e.g., compound interest, time value of money)
- Managing financial instruments (e.g., mortgages, student loans, insurance)
- Planning short-term and long-term financial strategies, including tax liabilities and retirement savings

Benefits of Financial Literacy

- Prevents costly mistakes: Avoids poor financial decisions with long-term implications.
- Prepares for emergencies: Helps individuals build financial security for unexpected situations.
- Achieves financial goals: Enables better budgeting and saving for future aspirations.

Financial Instruments

Financial instruments are tradable assets facilitating capital flow. They may represent cash, a contractual right, or ownership in an entity.

Functions of Financial Instruments

- Serve as a medium of payment
- Transfer purchasing power and risk

- Assist in revenue maximization and cost reduction for firms

Types of Financial Instruments

- Mutual Funds: Pooled investments managed by professionals.
- Bonds: Fixed-income securities representing loans to entities.
- Equities: Ownership stakes in companies.
- Derivatives: Contracts dependent on underlying assets.
- Debentures: Unsecured bonds backed by the issuer's creditworthiness.
- Public Provident Fund (PPF): A government-backed savings scheme offering tax benefits in India.

ANALYSIS AND INTERPRETATION

TABLE 1 : DEMOGRAPHICS OF THE SAMPLE STUDENTS

PARAMETER	NO OF STUDENTS	PERCENTAGE
AGE GROUP		
Below 20	20	70%
20-23	19	25%
Above 23	1	5%
TOTAL	40	100%
GENDER		
Male	15	40%
Female	25	60%
TOTAL	40	100%
QUALIFICATION		
Under graduate	30	80%
Post graduate	10	20%
TOTAL	40	100%

Interpretation

Here 60% of Students are female and 40% of students are male. 80% of students are under graduate and 20% of students are post graduate. Here, 70% of students are from the age group of below 20 and 25% of students are between the age group of 20-23. Only 5% of students are from the age group of 23.

TABLE 2: FORMAL EDUCATION ON FINANCIAL LITERACY

➤ Have you received any formal education on financial literacy before college?

PARAMETER	NO OF STUDENTS	PERCENTAGE
Yes	29	57.1%
No	11	42.9%
Total	40	100%

Source : Primary data – Questionnaire

Interpretation

It seems that out of 40 respondents, 57.1% answered “yes” and 42.9% answered “no”.

TABLE 3: FINANCIAL LITERACY IN COMMERCE DEPARTMENT

➤ Do you think the college adequately addresses financial literacy in the commerce department?

PARAMETER	NO OF STUDENTS	PERCENTAGE
Yes	15	40
No	0	0
Not sure	25	60
Total	40	100

Source : Primary Data – Questionnaire

Interpretation

It seems that out of 40 respondents, 60% of students are answered “yes” and 40% of students are answered “not sure”.

TABLE 4: PERSONAL FINANCE

➤ How confident do you feel in managing your personal finances?

PARAMETERS	NO OF STUDENTS	PERCENTAGE
Not confident at all	0	0
Somewhat confident	15	40%
Moderately confident	20	50%
Very confident	5	10%
Total	40	100%

Source : Primary Data – Questionnaire

Interpretation

Based on the survey results, 50% of students are moderately confident in managing their personal finance, 40% of students are somewhat confident and 10% of students are very confident in managing their personal finance.

TABLE 5: FINANCIAL INSTRUMENTS

➤ Are you familiar with various financial instruments (e.g., stocks, bonds, mutual funds)?

PARAMETER	NO OF STUDENTS	PERCENTAGE
Yes	30	70%
No	10	30%
Total	40	100%

Source: Primary Data – Questionnaire

Interpretation

Here, 70% of students are familiar with financial instruments and 30% of students are not familiar with financial instruments

TABLE 5: INVESTMENT IN FINANCIAL INSTRUMENTS

➤ Have you ever invested in any financial instruments (e.g., stocks, bonds, mutual funds)?

PARAMETER	NO OF STUDENTS	PERCENTAGE
Yes	10	20%
No	30	80%
Total	40	100%

Source : Primary Data – Questionnaire

Interpretation

Here, 20% of students are invested in financial instruments and 80% of students are not invested in financial instruments

TABLE 6: INVESTING IN FINANCIAL INSTRUMENTS

➤ How would you rate your understanding of the risks associated with different financial instruments?

PARAMETER	NO OF STUDENTS	PERCENTAGE
Very uncomfortable	0	0
Uncomfortable	0	0
Neutral	25	60%
Comfortable	15	40%
Very comfortable	0	0
Total	40	100%

Source : Primary Data – Questionnaire

Interpretation

Here, 80% of students are moderately understand the risk associated with financial instruments. 10% of students have high understand and another 10% of students have

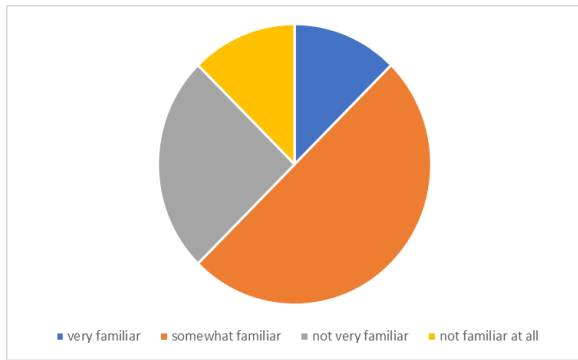
low understand about the risk associated with financial instruments.

TABLE 7: DIVERSIFICATION IN INVESTMENTS

➤ How familiar are you with the concept of diversification in investments?

PARAMETER	NO OF STUDENTS	PERCENTAGE
Very familiar	5	10%
Somewhat familiar	20	60%
Not very familiar	10	20%
Not familiar at all	5	10%
Total	40	100%

Source: Primary Data – Questionnaire



Source : Chart 1. Diversification in Investments

Interpretation

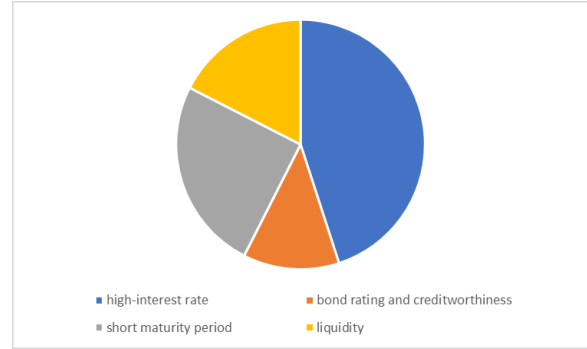
It seems that out of 40 respondents, 60% of students are somewhat familiar with the concept of diversification in financial instruments. 20% of students are not familiar with this concept. 10% of students are very familiar with the concept of diversification in investments and 10% is not familiar at all.

TABLE 8: INVESTMENT DECISION

➤ How would you prioritize the following bond characteristics in your investment decision?

PARAMETER	NO OF STUDENTS	PERCENTAGE
High-interest rate	18	40%
Bond rating and creditworthiness	5	10%
Short maturity period	10	30%
Liquidity	7	20%
Total	40	100%

Source : Primary Data – Questionnaire



Source : Chart 4.12 Investment Decision

Interpretation

Here, 40% of students give priority to High interest rate. 30% of students give priority to short maturity period. and 20% of students give priority to liquidity and 10% of students give priority to bond rating and creditworthiness in their investment decision.

TABLE 9: FINANCIAL LITERACY ON FINANCIAL INSTRUMENTS

➤ How do you assess your overall level of financial literacy on financial instruments?

PARAMETER	NO OF STUDENTS	PERCENTAGE
High	0	0%
Moderate	30	80%
Low	10	20%
Very low	0	0%
Total	40	100%

Source: Primary Data – Questionnaire

Interpretation

Here, out of 40 respondents, 80% of students answered moderate and 20% of students answered low.

FINDINGS

1. Majority of the respondents have moderate knowledge about financial instruments.
2. Majority of the students are confident in managing their personal finance
3. Most of the students are familiar with financial instruments
4. A significant percentage of students are somewhat familiar with the concept of diversification in investments
5. Most of the students have a significant percentage of

literacy in financial instruments.

6. Most of the students are financially literate.
7. The respondents received formal education on financial literacy in college and colleges adequately address financial literacy in commerce department.

SUGGESSTIONS

1. Educate yourself: with the advancement of technology, it is now easier than ever to educate yourself about different financial instruments. Attend seminars, read books, and take online courses to improve your knowledge of financial instruments
2. Student Surveys: Design surveys specifically targeting students to gather their opinions and attitudes towards financial instruments. You can distribute these surveys within universities or online student communities.
3. Classroom Discussions: Organize classroom discussions or debates about different financial instruments. Encourage students to express their opinions and reasoning behind their preferences.
4. Interactive Quizzes: Organize interactive quizzes or games focused on financial literacy topics during class sessions or extracurricular activities. Encourage friendly competition among students to foster engagement and motivation.
5. Focus Group Discussions: Conduct focus group discussions with small groups of students to explore their attitudes, beliefs, and experiences regarding money management. Encourage open dialogue and facilitate conversations around financial challenges and aspirations
6. Interactive Learning Activities: Incorporate interactive learning activities such as case studies, simulations, role-plays, and group discussions into the curriculum. These activities can engage students actively in the learning process and help them apply financial concepts to real-world scenarios.
7. Use of Technology: Integrate technology into the learning process by utilizing financial software, online tools, and educational apps. Encourage students to explore financial resources available online and leverage technology for researching, analyzing, and managing finances.
8. Financial Literacy Events: Organize financial literacy events within the commerce department, such as financial literacy fairs or workshops. Collaborate

with external organizations, financial institutions, or community partners to provide resources and support for these events.

CONCLUSION

Financial literacy is crucial for effectively navigating various financial instruments. It empowers individuals to make informed decisions regarding investments, savings, and managing financial risks. By understanding concepts like risk and return, diversification, and the characteristics of different financial instruments such as stocks, bonds, and mutual funds, individuals can build balanced portfolios tailored to their financial goals and risk tolerance. Moreover, financial literacy fosters confidence in handling complex financial products and reduces the likelihood of falling victim to scams or making uninformed choices. Overall, promoting financial literacy is essential for enhancing financial well-being and fostering a financially savvy population.

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