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A STUDY ON FINANCIAL LITERACY AMONG COLLEGE STUDENTS

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ABSTRACT

Financial literacy is a critical life skill that enables individuals to make informed and effective decisions regarding money management, savings, investments, and financial planning. This study aims to assess the level of financial literacy among college students, identify gaps in their understanding, and explore factors that influence their financial knowledge and behavior. A structured questionnaire was distributed among 120 college students from various academic backgrounds to collect data on their awareness, practices, and attitudes toward budgeting, banking, credit, insurance, and investment options. The findings revealed that while most students have basic financial knowledge, a significant number lack practical understanding of financial products and long-term planning. The study also showed that students with commerce or business education, or those exposed to financial discussions at home, displayed better financial awareness.

KEY WORDS: critical life skill, money management, savings, investments, basic financial knowledge, economic independence, financial literacy, descriptive research design.

INTRODUCTION

In today's dynamic economic environment, financial literacy is an essential life skill for individuals, especially youth and students. Financial literacy refers to the ability to understand and apply financial concepts such as saving, budgeting, investing, credit management, and financial planning. With increasing access to digital banking, credit facilities, and online financial platforms, young people are faced with more financial decisions than ever before.

College students represent a key demographic as they transition into adulthood and begin managing their own finances—often for the first time. However, many students make financial decisions without a sound understanding of financial principles, which can lead to debt, poor saving habits, and financial stress.

This study seeks to assess the level of financial literacy among college students, identify the factors influencing their financial behavior, and suggest measures to enhance their knowledge. Promoting financial literacy among students can lead to more responsible money management, economic independence, and financial security in the future.

ADVANTAGES OF THE STUDY

1. Promotes Financial Awareness:
   Helps in understanding the current level of financial literacy among college students.
2. Encourages Responsible Behavior:
   Highlights the need for proper money management, saving, and investment habits.
3. Supports Educational Planning:
   Provides insights for educators and policymakers to introduce financial education into Academic curricula.
4. Identifies Gaps and Challenges:
   Detects areas where students lack knowledge and need further training or guidance.
5. Improves Future Decision-Making:
   Encourages students to make informed financial decisions and avoid future financial stress.

LIMITATIONS OF THE STUDY

1. Limited Sample Size:
   The study may not represent all student populations, especially those from different regions or socio-economic backgrounds.
2. Self-Reported Data:
   Responses may be biased or inaccurate due to personal perceptions or lack of interest.
3. Geographical Constraints:
   Conducted in a specific area or college, limiting the generalizability of the results.
4. Time Constraints:
   Due to the limited period of study, long-term financial behaviors could not be evaluated.
5. Lack of Depth:
   The study may not fully explore psychological or cultural factors influencing financial decisions.

BENEFITS OF THE STUDY

1. Improves Financial Awareness
   Helps students understand key financial concepts such as budgeting, saving, credit, insurance, and investment.
2. Encourages Good Money Habits
   Promotes responsible financial behavior like tracking expenses, avoiding unnecessary debt, and planning for the future.
3. Supports Academic Curriculum Enhancement
   Provides useful data to educational institutions to design or update financial education modules in college syllabi.
4. Builds Economic Independence
   Empowers students to manage their personal finances confidently, leading to financial independence at a young age.
5. Reduces Financial Stress
   Students who are financially literate are less likely to face confusion or anxiety about money matters.
6. Prepares for Future Financial Responsibilities

Lays the foundation for making informed decisions about loans, credit cards, investments, and long-term savings.

7. Boosts Employment Readiness

Financially literate students are better equipped to handle salary, taxation, and benefits in their future careers.

8. Informs Policymaking

The findings can help governments and institutions develop programs aimed at improving youth financial literacy.

STATEMENT OF THE PROBLEM

In today's complex financial world, managing personal finances has become a critical life skill. However, many college students lack the necessary financial knowledge to make informed decisions regarding saving, budgeting, investing, and managing debt. This lack of awareness can lead to poor financial habits, excessive spending, and long-term financial insecurity.

While students are increasingly exposed to financial products such as credit cards, online banking, and digital wallets, their understanding of how to use these tools wisely remains limited. Despite having access to formal education, financial literacy is not always a part of the academic curriculum, leaving students unprepared to handle real-life financial challenges.

OBJECTIVES OF THE STUDY

1. To assess the level of financial literacy among college students.
2. To identify students' awareness of key financial concepts such as budgeting, saving, investment, loans, and insurance.
3. To examine the influence of demographic factors (such as age, gender, and course of study) on financial literacy levels.
4. To understand students' financial behavior and practices, including spending and saving habits.
5. To determine the sources of financial knowledge commonly accessed by students (e.g., parents, internet, formal education).
6. To highlight the need for financial education in academic institutions.
7. To provide suggestions and recommendations to improve financial literacy among college students.

SCOPE OF THE STUDY

This study focuses on evaluating the level of financial literacy among college students across various academic disciplines such as Commerce, Arts, Science, and Management. It aims to assess their understanding of fundamental financial concepts including budgeting, saving, investment, credit, and insurance. The research is limited to a selected group of 120 college students from [mention location if applicable, e.g., Trichy District, Tamil Nadu]. The study covers both undergraduate and postgraduate students from first year to final year, ensuring representation across age groups and genders.

The scope includes:

1. Assessing students' financial behavior and awareness.
2. Identifying the influence of demographic and educational factors.
3. Examining sources of financial information students rely on.
4. Recommending strategies to improve financial education among youth.

REVIEW OF LITERATURE

A review of existing literature helps understand previous research findings and identify gaps that this
study aims to address.

1. Lusardi & Mitchell (2011) Found that young adults globally lack basic financial knowledge, especially in areas like interest rates, inflation, and risk diversification.

2. Chen & Volpe (1998) Their study revealed that college students demonstrated low levels of financial literacy, particularly in personal finance and investing.
3. Mandell (2008) Observed that high school and college students are not financially prepared for the responsibilities they face in adult life.
4. OECD (2014) Emphasized that financial literacy is crucial for youth, as early habits strongly influence adult financial behavior.
5. Kaur & Vohra (2012) Identified that gender and stream of study have a significant impact on financial literacy levels among college students.
6. Nidar & Bestari (2012) Reported that financial behavior improves significantly with increased financial knowledge and parental guidance.
7. Bashir et al. (2013) Found that students who attended financial education workshops showed improved financial decision-making.
8. Joo & Grable (2004) Concluded that income level, financial education, and family background influence students financial management skills.
9. Remund (2010) Defined financial literacy as a set of knowledge that allows an individual to make effective financial decisions.
10. Agarwal et al. (2015) Highlighted the role of digital tools and mobile banking in improving financial literacy among tech- savvy students.

RESEARCH METHODOLOGY

The research methodology outlines the framework used to collect, analyze, and interpret data in order to understand the level of financial literacy among college students.

RESEARCH DESIGN

The study adopts a descriptive research design, aimed at identifying the knowledge, attitudes, and behavior of college students regarding financial literacy. It helps in providing a clear picture of their current financial awareness and practices.

SAMPLING DESIGN

Population:

College students from various academic streams (Commerce, Science, Arts, etc.) In research, population refers to the entire group of individuals relevant to the study from which a sample is drawn. For this study, the population consists of college students pursuing undergraduate and postgraduate degrees across various streams such as Commerce, Science, Arts, and Management.

This includes students from:

- Government and private colleges
- Different academic years (first year to final year)
- Various socioeconomic and educational backgrounds

SAMPLE SIZE:

The sample size refers to the number of individuals selected from the population to participate in the study. In this research, a total of 120 college students were selected as the sample. These students were chosen from various academic disciplines such as Commerce, Arts, and Science, and from different year levels (first year to final year) to ensure diversity and reliability in the findings.

SAMPLING TECHNIQUE:

Stratified random sampling was used to ensure representation from different courses and year levels. The sampling technique refers to the method used to select individuals from the population to be part of the study sample. In this study, the Stratified Random Sampling technique was used.

Explanation:

- The total population (college students) was divided into different strata based on factors such as:
- Course of study (Commerce, Science, Arts)

- Year of study (I, II, III year)
- Gender (Male, Female)
- From each stratum, a random sample of students was selected to ensure fair and proportional representation.

SOURCES OF DATA

- Primary Data: Collected through structured questionnaires administered to the selected students.
- Secondary Data: Collected from books, research journals, government reports, articles, and online
sources related to financial literacy.

TOOLS FOR DATA ANALYSIS

- Percentage analysis
- Chi-square test (for testing hypotheses)
- Graphs and tables for presentation and interpretation

PERIOD OF STUDY

The study was conducted over a period of 2 months during the academic year 2024–2025.

FINDINGS

- 37.5% of respondents were from Commerce, 33.33% from Science, and 29.16% from Arts.
- Equal representation was maintained across I, II, and III-year students (33.33% each).
- 60% of respondents were female and 40% were male.
- 52% of students fall under the 18–20 age group.
- 75% of respondents have a savings bank account.
- Only 40% of students regularly maintain a budget.
- 68% are aware of basic banking operations.
- Only 35% understand the concept of compound interest.
- 30% are aware of different investment options like mutual funds or SIPs.
- 45% know about insurance and its benefits.
- 70% of Commerce students showed higher financial knowledge than others.
- 65% of students rely on parents for financial decisions.
- 25% of students follow financial content on social media.
- 33% borrow money occasionally for personal use.
- 50% don't know how to read a bank statement.
- 40% are interested in learning about digital payments and UPI apps.
- 62% of students felt that financial stress affects their academic performance.

SUGGESTIONS

- Financial literacy should be included as part of the college curriculum.
- Organize regular financial education workshops and webinars.
- Use social media and YouTube channels to spread financial awareness.
- Encourage students to use budgeting apps and digital finance tools.
- Promote savings habits through campus banking initiatives.
- Provide training on using digital payment systems (UPI, net banking).
- Offer peer-to-peer financial mentoring within colleges.
- Create tie-ups with banks to conduct sessions on financial products.
- Encourage real-life financial decision-making through student projects.
- Display financial tips and news on college notice boards or websites.

CONCLUSION

The study reveals that while college students are somewhat aware of basic financial tools, their overall financial literacy level remains low. Most students lack practical knowledge about savings, investments, credit management, and budgeting. Commerce students performed better due to academic exposure, while Arts and Science students showed gaps in understanding. There is a clear need for structured financial education at the college level. Improving financial literacy will empower students to make informed decisions, avoid debt, and build financial independence, leading to a more financially secure future generation.

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