

A Study on Factors Influencing Financial Literacy among College Students Concerning North Gujarat

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Abstract

Financial literacy means the capacity to manage cash and finance-related issues and it is vital to understand for youth, as we have to tackle it on daily basis and it is helpful to overcome barriers as well as to make proper decisions regarding financial issues. The present paper aims to explore the factors influencing financial literacy among the students studying in colleges of north Gujarat. In this research paper, 289 samples were taken from different colleges of different districts of north Gujarat. The convenience sampling methods have been used for primary data collection from the respondents to analyze their financial literacy. Through a pre-coded structured questionnaire primary data was collected and secondary data from the topic-related past studies. The study analyses financial influence, financial attitude, and financial behavior as independent variables whereas financial knowledge is a dependent variable. For analysis frequency and multiple regression analysis were used for testing hypotheses. The present research paper found that Financial Influence and financial Behavior are significant variables and financial Attitude is a non-significant variable.

Key words: *Financial Literacy, Financial Behavior, Financial Influence, Financial Attitude, Financial Knowledge, College Students, North Gujarat.*

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1. Introduction

In today's day to day life, each person faces financial related issues in their life. It becomes a necessity to know related finance, especially for the young generation, as sometimes it happens that they need to do some tasks related banking at that time they may not be able to understand as well as to take suitable decisions because of not having proper financial knowledge as their mostly financial related decisions taken by their family. Financial literacy is important for each individual, as it provides knowledge regarding finance as well as skills that assist them to manage their money effectively, taking appropriate decisions, paying for college, paying bills, preparing a budget. Due to the lack of financial knowledge, people face many problems in their daily life. A literate person can easily understand the policies, framed by the government. Financial literacy is a complex and important concept to understand. The nature of illiteracy, as well as discovery, may differ, but it gets reflected in many financial decisions which one have to take in day to day life. One of the common examples which are widely observed regarding financial literacy is the lack of basic knowledge about financial products and services. Thus, it is essential to have proper financial knowledge as well as financial planning for every individual as well as for whole society so, one cannot face any kind of trouble while using banking services and can save themselves from any loss as well as can get all kind of benefits provided by the bank.

Each researcher as well as different organizations have given various definitions of financial knowledge. Some of the definitions are mentioned here. Financial literacy defined by (Organization for Economic Cooperation and Development, 2005, p.26) as Financial literacy is the procedure through which financial consumers or investors can easily understand the financial products and their concepts, instruction, to become more familiar with financial risks and opportunities one can develop skills and confidence to make informed choices from available options, through information, helpful to know the individual about where one can get help as well as to take another effective vestige to make better their financial wellbeing. While financial literacy can be understood as a state of being wherein an individual can fully meet current and ongoing accountability of

finance, feel achieve in their financial future, and can make the right choices that ratify them to enjoy life (Consumer Financial Protection Bureau, 2017, p. 6). Whereas, (Hung, Parker, & Yoong, 2009, p. 4) defines financial literacy as one can able to use the skill as well as intelligence and to manage resources of finance very effectively for a lifetime of financial wellbeing. (Thapa, 2015) describes financial literacy as the proper understanding as well as the concepts of finance and knowledge of basic economic, the ability to utilize that knowledge in managing financial resources. However, another author describes financial literacy in her own words as- it is all about how conceptually the people can understand basic concepts related to finance, and the basic understanding of financial concepts is defined as financial literacy of the person (Patel,2018). (Pareek& Dixit, 2016) defined financial literacy as it is one kind of taking proper or suitable decisions in the case of personal finance issues as an example investing, saving, budgeting of expenses, retirement funding, etc. As time goes on it was felt that financial literacy is a predominant factor. Recently, in society, the relation of levels of financial literacy has grown and it is also supposed to grow more also in the future. (Fox, Bartholomae, & Lee, 2005) (Peng, Bartholomae, Fox, & Cravener, 2007) It was stated that the personal financial responsibility was higher in the students of the university. More financial challenges faced by students. It was also stated that more challenges were experienced by college students while paying bills, using a credit card, working, budgeting, saving, and managing debt. Thus, it was topmost financial literacy among college students. (Grifoni, Messy, 2012) With the deregulation of financial markets, the requirement of financial literacy has become more important and very easier access to credit, credit card ready issues also the development in products of the financial market. Identifying the importance of financial literacy, to improve the financial literacy of their population, for financial education, many countries developed and give an effect on national strategies with a major focus on the young generation. Thus, in this research paper, financial literacy is defined as the capacity to manage cash and finance-related issues and it is vital to understand for youth, as we have to tackle it on daily basis and it is helpful to overcome barriers as well as to make proper decisions regarding financial issues.

1. Literature Review

(Jariah, Husniyah, Laily, & Britt, 2004) This study shows that the researchers examined the financial behavior of students of university and college. They surveyed 1500 students and this study reveals that ninety percent of students were interested to learn topics regarding financial education whereas it was found that many students need counseling services, for learning about savings and investment, budgeting, and different ways to increase their income. In research, they also found that female students were enjoy shopping activities more and also bought sales items than male students however, male students generally don't show their habit of spending from their parents.

(Jorgensen, 2007) In this study, by using the demographic variable like gender, class-rank, and socioeconomic status, the researcher investigated the personal financial literacy of graduates as well as undergraduate college students and analyzed influence from parents and peers on college student's financial literacy level. It was found that students having a low score in financial knowledge, financial attitude, and financial behaviour whereas it increases significantly every year from bachelor to master. The study also found that students who were influenced financially by their parents had a higher level of financial knowledge, financial attitude, and financial behaviour scores.

(Bartley, 2011) In this study, the author says that financial literacy is the call of the hour for any country's youth, but still, it is being underrated. It was said in this study that finance is not exactly maths or science but it is something different and to understand it, it requires a different mindset and it is vital to understand as well as it also said that, financial literacy is something important for a person to understand because if a person is unable to understand the same then he or she may not be able to secure one's future. At last, the author said that the youth should understand finance properly, and for this, initiative steps should be taken by their parents as well as they need to involve their child in the financial matters of the house also need to teach the value of money. Parents can make their children financially literate and independent by taking their own financial decision by their child.

(Carlo, 2013) In the United States, a survey was done by taking a sample of approx. 4500 young adults aged 25 to 34. To examine financial literacy and financial behavior the researcher utilized data from the 2009 National Financial Capability Study. It was found that from certain demographic groups, such as women, minorities, and lower-income or less-educated people the financial literacy is low also found that however, a higher education level does not assure financial literacy. As a result, the researcher shows that respondents are not favoring to practice high-cost loans, they are favoring to plan for retirement or go for savings to use in emergencies. It was concluded by the researcher that, in the recent financial environment the financial literacy is a vital obstacle to reach efficiency in the financial market.

(Altaf, 2014) This study was undertaken in Kashmir. The researcher has done a study to assess student's financial literacy and it was undertaken at Kashmir, with the students of Central University. The students belong to the different postgraduate courses are taken as samples and the sample size was 100. The study collected primary data with the help of a structured questionnaire which was developed with a balanced five-point Likert scale. In the fourth section of the questionnaire financial literacy was evaluated, definition and theories are shown in the first section, the second section includes the potential of respondents for handling finance, the third section carry detention of financial literacy and the fourth section indicates the view of respondents regarding the way to improve financial literacy. To analyze the data mean analysis was used. The result shows that students do not have a good satisfactory level of financial literacy.

(Lusardi & Mitchell, 2014) Researchers proved in a study that along with economic growth how financial literacy forms the base of financial independence and financial freedom. The researcher concluded that the world is facing a lack of financial knowledge. To cover the gaps of financial knowledge efforts are made in this study and the efforts are on to "identify individuals who are most in need of financial education and the best way to improve that education." In the US study, the author proved that the population of the USA have lack basic finance skills which are a necessity to maintain and develop a budget, to understand the clauses or credit as well as the rate associated with it, also lack the

knowledge of understanding investments in all they lack in fundamental financial knowledge and knowledge which can assist them to overcome the crisis. It also stated that financial markets are complex and financial knowledge is very much important to understand these complexities. People have a low level of information about different financial products and mostly they are financially illiterate. To understand financial literacy, the researcher suggested different dimensions of the individuals which can help to understand whether the individual is financially literate or not.

(Singh, 2014) An exploratory study was conducted for this research and as a tool, the researcher used secondary data to analyze financial literacy, which enlarges the ability to impressively monitor the financial sources for developing a person's economic assurance. The economy's financial steadiness was based on these terms and it was important for developed as well as developing countries. For financial education, most of the countries are accepting different programs. India is a country with a large population, a growing economy, and having an important requirement to develop a stable financial system. To develop a smooth process of financial literacy, RBI has developed different tactics and also adopted different programs. He mainly focused on some significant views which are necessary for financial literacy effective financial and economic steadiness. For improving the financial knowledge of individuals, the researcher also discussed the role of RBI.

(Thapa et al., 2015) the study had the objective to analyze the student's financial behavior, financial influence, financial attitude, and overall financial knowledge. A sample size of 436 students studying at the college level was undertaken for study from Nepal with four different universities. Through the questionnaire data was collected in this study. The researchers used a stratified sampling method and for analyzing frequency analysis, percentage score, mean, and standard deviation were used whereas, hypotheses in this study were tested using Mean, ANOVA, and regression. From the study, it is clear that most students have possessed a basic level of financial knowledge. It was also demonstrated that financial knowledge is determined by age, income, the attitude of students, stream of education, and types of college whereas it is not significant by gender, financial behavior, university affiliation, and financial influence.

(Pareek et al., 2016) Researchers surveyed 200 respondents (including men and women) in India, using a stratified random sampling method. The objectives of this study are to measure the financial literacy of newly employed youth, their efficiency to manage and budget finance, to understand the constraints that played a role in financial literacy, and to suggest ways to improve financial literacy. Data collected through the questionnaires and chi-square test was used to analyze the study. The descriptive and analytical methodology was adopted for the research. In research, it is found that in the case of knowledge, newly employed youth have a significant similarity whereas, and a thorough survey, it was observed that people have theoretical knowledge but they are unable to apply practically in their daily life. At last, the authors conclude that to manage finance, today's youth does not have enough knowledge.

(Garg & Singh, 2017) Literature review type of study done by a researcher in India. The purpose of this study was to analyze the level of financial literacy among youth based on previous studies, main focus was to know how the socio-economic and demographic factors such as age, gender, marital status, and income influence the financial literacy level of youth as well as to know the interrelationship between financial knowledge, financial attitude, and financial behavior. It is found that across most of the world, the financial literacy level among youth is low. After a review of previous studies, it was concluded by the researcher that study is imperative to assist in formulating policies, especially for youth.

(Patel et al., 2018) The objective of the study was to analyze the financial literacy among the residents of Gujarat as well as to admittance the effect of demographic variables on the financial literacy of the respondents. For the research, 600 salaried employees of government, private and public sectors are taken from the four cities of Gujarat namely Ahmedabad, Vadodara, Rajkot, and Surat. A descriptive Research Design was adopted for the study. Age, Experience, Gender, Marital Status, Income, Job Type were Independent variables and the dependent variable was financial literacy. Through the structured questionnaire, primary data collected and for the secondary data different

thesis, websites, magazines, and journals were used. It has concluded that respondents possess fair financial literacy.

2. Research Methodology

3.1 Introduction

The methodology adopted for this research paper is descriptive. Data was collected from different district's colleges of north Gujarat. Through questionnaire data was collected for this study. The convenience sampling method was used by the researcher for this research paper.

Two issues on research design are required to reduce the possibility of getting the wrong answer and they are Validity and Reliability. To ensure validity proper validity questionnaire has been made and it has been shown to subject experts. They are asked to rate each statement in the questionnaire, as essential, essential but unimportant, and not essential. Most of the experts in this study rated more essential for each statement and some of the questions have been removed from the questionnaire. The researcher also tested the validity of the questionnaire by surveying 40 respondents using the same. The respondents belonged to the sample range of the study. The questionnaire is started with demographical data. The questionnaire also includes 36 statements. The respondents were told to rate all those five-point Likert scale statements. Some of the steps were taken to ensure reliability like questionnaires were distributed in different days selected randomly and Alpha Cronbach's test has been calculated.

Reliability Test

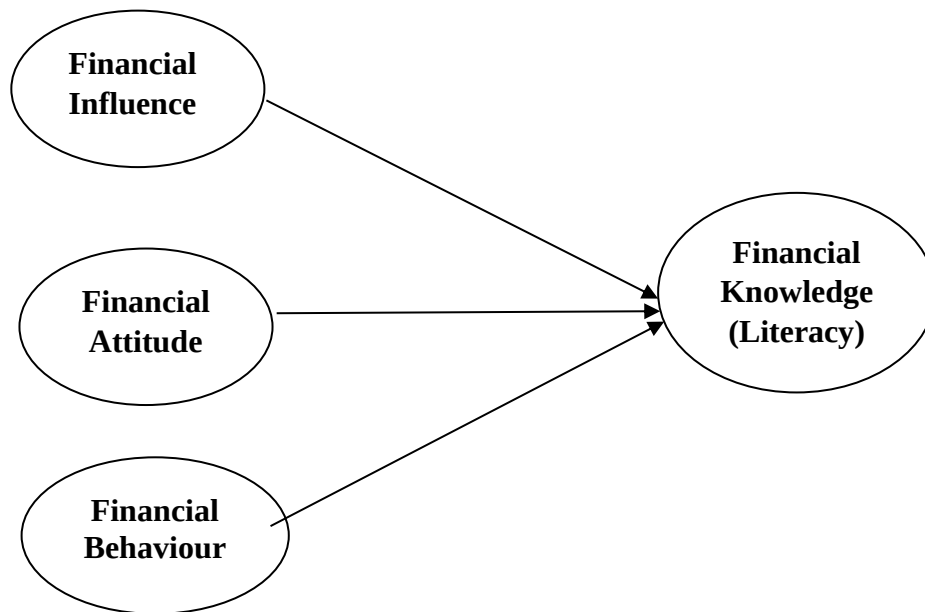
Variable	Cronbach's Alpha	Items
Financial Behaviour	0.802	15

Financial Influences	0.869	09
Financial Attitude	0.908	11
Financial Knowledge	0.679	16

Cronbach's Alpha Test

Cronbach's alpha is the average coefficient results from various ways of splitting the scale items. The coefficient varies from 0 to 1 and 0.6 value or less than it, it indicates unsatisfactory internal consistency reliability. To find the reliability of the questionnaire Cronbach's alpha was calculated. It is used to test the reliability and validity of the questionnaire in this study which came to be 0.8 alpha whereas, 0.7alpha and anything above that are in the acceptable range.

3.2 Conceptual Framework



3.3 Research Design

3.3.1 Research gap of this study

In Gujarat, hardly any research on financial literacy among the youth has been done. Therefore, this study aims to research and to identify the factors affecting financial literacy among the college students of North Gujarat.

3.3.2 Need for the Study

The students those who are from commerce are mostly expected to start their career in banking, finance, and economics. Examining the factors influencing financial literacy among college students will help policymakers to organize proper policies.

3.3.3 Objectives of the Study

To examine the level of financial knowledge among college students of North Gujarat with the help of various measures financial attitude, influence, behavior, and financial knowledge.

To examine the impact of demographics on the level of financial knowledge of the college student.

3.3.4 Hypothesis of the Study

H0: There is no significant relationship between financial influence and financial knowledge of college students.

H1: There is a significant relationship between financial influence and financial knowledge of college students.

H0: There is no significant relationship between financial attitude and financial knowledge of college students.

H2: There is a significant relationship between financial attitude and financial knowledge of college students.

H0: There is no significant relationship between financial behavior and financial knowledge of college students.

H3: There is a significant relationship between financial behavior and financial knowledge of college students.

H0: There are no gender differences in the financial knowledge of college students.

H4: There are gender differences in the financial knowledge of college students.

3.4 Data Collection Sources

For this research paper, primary data and secondary data were used. Primary data was collected through questionnaires whereas secondary data was collected from related previous studies.

3.5 Instrument/Tool

This research paper survey method was used in which data collected through a structured questionnaire. Based on the model questionnaire was prepared, which was developed after several times discussing with faculty. For the present study, respondents were asked to rate the five-point Likert scale questions, in which 1 indicating strong disagreement and 5 indicating strong agreement. For analysis purposes, SPSS was used.

3. Analysis and Discussion

In this study, a questionnaire was used for data collection. The questionnaire is divided into five parts; demographic profile, financial behavior, financial influence, financial attitude, financial knowledge. Proper tools and techniques have been used for classification and analysis of data in which frequency was used for primary data and ANOVA as well as multiple regression was used for testing hypotheses.

Table 4.1 Frequencies Table (Demographic)

Factor	Frequency	Percentage
Gender		
Male	146	50.5
Female	143	49.5
Age		
Below 18	18	6.2
18-20	46	15.9
21-24	138	48.1

25-29	59	20.4
30 and above	27	9.3
Income		
Below rs. 20000	62	21.5
rs. 20000-30000	105	36.3
rs. 30000-50000	80	27.7
More than rs. 50000	42	14.5
Stream		
Management	143	49.5
Non-Management	146	50.5
Education		
Bachelors	123	42.6
Masters	166	57.4

Table 1 shows that out of the total 289 respondents, 146 respondents (50.5 %) are male and 143 respondents (49.5 %) are female. In age-group 138 respondents (48.1 %) belong to 21 – 24 years age group, 59 respondents (20.4 %) are belongs to 25 – 29 years, 46 respondents (15.9 %) belong to 18 – 20 years, 27 respondents (9.3 %) are from 30 and above and 18 respondents (6.2 %) are belongs to the below 18 year age group. In income 105 respondents (36.3 %) having their family income is Rs.20000 – 30000, 80 respondents (27.7 %) having their family income is Rs. 30000 – 50000, 62 respondents (21.5 %) have their family income is below Rs. 20000 whereas, 42 respondents (14.5 %) having their family income is more than Rs. 50000. Here in this research paper, 143 respondents (49.5 %) are from the management stream whereas 146 respondents (50.5 %) are from the non-management stream and 123 respondents (42.6 %) are from bachelor level education whereas 166 respondents (57.4 %) are from master-level education.

Multiple Regression

Enter method was used to feed all the independent variables together as we have assumed that all the variables have equal importance.

Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	0.704 ^a	0.496	0.490	0.31525

a. Predictors: (Constant), Financial Attitude, Financial Behavior, Financial Influence

The value of R^2 shows the amount of percentage of the dependent variable explained by independent variables. Here R^2 is 0.496 which means the independent variable explains the dependent variable up to 49%.

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	27.844	3	9.281	93.392	0.000^a
	Residual	28.324	285	0.099		
	Total	56.168	288			

a. Predictors: (Constant), Financial Attitude, Financial Behavior, Financial Influence

b. Dependent Variable: Financial Knowledge

The value of the Anova table should be less than 0.05. Here the significance value is .000 which is less than the 0.05, hence the model is fit.

Coefficients

Model	Unstandardized Coefficients		Standard ized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	1.268	0.096		13.153	0.000		
Financial Behavior	0.289	0.035	0.463	8.339	0.000	0.573	1.744
Financial Influences	0.121	0.036	0.228	3.366	0.001	0.384	2.604
Financial Attitude	0.054	0.038	0.103	1.407	<u>0.160</u>	0.331	3.020

a. Dependent Variable: Financial Knowledge

In the table, VIF represents the variance inflation factor and it should be less than 10. Here all the values are less than 10 for VIF which means there is no multi-collinearity between independent variables.

To know the significance of the variables, p values should be less than 0.05 ($p < 0.05$). Among the three independent variables, two variables financial behaviour (0.000) and financial influences (0.001) has a significance value less than 0.05 which means these variables are significant for the financial knowledge of male. And financial attitude (0.160) has a higher significance value than 0.05 that makes it non-significant for financial knowledge of males.

Financial behaviour has a standardized beta value of 0.463 which is highest followed by financial influences 0.228 respectively. This means financial behaviour has the highest impact on financial knowledge followed by influences and attitude.

ANOVA Test

The above table indicates that the results of equality of variance through Levene's Test if significant is greater than 0.05, Levene's Test is non-significant, so the equal variance

is assumed. It was found that the assumption of the equality of variance was met for financial literacy.

Test of Homogeneity of Variances

Gender

Levene Statistic	df1	df2	Sig.
7.658 ^a	30	253	0.067

a. Groups with only one case are ignored in computing the test of homogeneity of variance for Gender.

The significance value of the test of homogeneity of variances should be higher than 0.05 so that the hypothesis of assuming equality of variances can be accepted. Here the significance value is higher than 0.05 therefore equality of variances can be assumed.

ANOVA

Gender

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	9.641	35	0.275	1.113	0.020
Within Groups	62.602	253	0.247		
Total	72.242	288			

In the Anova table significance value should be less than 0.05. Here it is higher than 0.05, therefore it can be said that Gender does not have any effect on the financial literacy of students. So there are no differences between gender and financial knowledge for the null hypothesis.

4. Conclusion and Findings

This research paper tried to examine the financial knowledge level of college students and to find out the impact of different demographic variables on their financial knowledge levels. Here financial influence, financial attitude, and financial behaviour are independent variables whereas financial knowledge is the dependent variable. The convenience sampling method is used in this research. The questionnaire is used for primary data collection whereas previously available studies are used for secondary data. For this research, only 289 respondents are taken. College students of north Gujarat are the respondents and they are taken from some of the universities of the Mahesana district of north Gujarat. Primary data was described by frequency. The hypothesis of this study was tested by ANOVA and multiple regression analysis.

Financial Influence and financial Behavior are significant variables and financial Attitude is a non-significant variable.

In education, masters are a higher Influence on financial knowledge, and age group 21 to 24 are more influence by other age groups.

ANOVA table significance value should be less than 0.05. Here it is higher than 0.05, therefore it can be said that the Gender of financial knowledge does not have any effect on the financial literacy of students. Based on unequal variance among groups, there is a difference in financial knowledge regarding gender, contribution in-home financial matters, monthly income of parents but a highly significant difference lies in the area of study as well as the age factor.

The present research tried to examine the financial knowledge level of college students and to find out the impact of different demographic variables on their financial knowledge levels. According to our research college, students are highly influenced by the non-management stream.

Implications of the study

It is suggested that the young generation should aware themselves regarding financial knowledge, as it is essential for financial decision making which every individual have to face.

It is suggested that the government should arrange such regulations for stakeholders of the financial structure of the economy to engage them in such kind organizing seminars or program which enhance/ motivate youth to develop their financial knowledge.

It is suggested for Higher education institutions to engage college students/ youth to demonstrate/ engage themselves in practical finance-related activities/ decision making. This will support the young generation to gain more practical knowledge as well as helps to develop their skills related to financial decision making.

Limitations

- For the study the data was collected from some universities of districts of north Gujarat, however, a more extended geographical sample may produce different results.
- There are only 289 respondents from north Gujarat. So, the findings of this study may not be generalized to the contexts.
- Based on variances this study showed the results which are not equal between male and female therefore, the results can be more valid with equal variances in a sample of both male and female.

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