

**FINANCIAL LITERACY AS CHANGING LANDSCAPE IN GLOBAL ECONOMY: A STUDY OF FINANCIAL LITERACY INDEX OF UNIVERSITY STUDENTS**

*\* Dr. Anju Shyam Bohra*

*\* Assistant Professor, Department of Accountancy, Ghanshyamdas Saraf College of Arts and Commerce.*

**Abstract:**

Financial literacy, is referred to as Personal Financial Management which includes budgeting and investing. Capacity to comprehend and apply abilities efficiently in personal finance is a lifetime learning path which leads to a strong foundation of person's relationships. Being financially literate is knowing how to handle your finances. Learning how and why to invest, how to allocate funds wisely, as well as how to get ready for retirement. A person's intellectual understanding of financial notions and skills, such as spending, investing, financing, taxing, and handling one's own money, is known as financial literacy. One of the causes of Financial Crisis is identified as lack of Financial Literacy. Integration of our economy with world economy will increase further and so the risk of world crisis impacting Indian economy. In India there is large unorganized sector. It is widely recognized in both academic and professional circles that financial literacy plays a pivotal role in driving the nation's financial inclusion strategy. This Study takes a literature review of the concept and assessment of financial literacy. It aims to define and quantify financial literacy in the Indian context by highlighting the several elements that are involved. It also reviews the steps being taken nationwide to promote financial literacy. It also aims to evaluate in the financial literacy index of university students.

**Keywords:** Financial Literacy, Financial Behavior, Behavioral Biases, Financial Education, Financial Crisis.

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**Introduction:**

A sufficient level of financial literacy is necessary for both the individual's and the family's financial well-being. It affects both short-term needs, like managing money on a daily basis, and long-term needs, like purchasing a home, funding a child's education, and ensuring a comfortable retirement. In order to guarantee security in retirement, insurance and pension plans are crucial. Understanding financial products and markets, along with having the right mindset and behavioral abilities, are necessary for this. These tasks require planning, budgeting, and savings as well as investments. First, the term 'Financial literacy' began to appear in education journals and popular financial self-

help books as early as the late 1990s. Financial literacy is the ability to make effective decisions regarding the use of money). It empowers people to craft their finances. It is an essential factor for making comprehensive financial decisions regarding financial issues it equips an individual to effectively and efficiently utilize limited financial resources. .

A sizable portion of the population in India works in the unorganized sector. The researchers conclude that one of the main factors contributing to financial exclusion is a lack of financial literacy. Therefore, it follows that having a solid understanding of finance will help people become more financially included and enter the formal sector. When it comes to financial

literacy, different societal segments require different approaches. There is an abundance of diversity in India throughout individuals and communities' social and economic statuses. A distinct level of financial literacy would be needed for each member of this social group. India is home to the world's biggest proportion of young people. However, a number of scholars have questioned the nation's educational system. We believe that financial literacy would be in poor shape as well, in keeping with general literacy.

#### Objectives of the Study:

- To Study Financial literacy as Changing Landscape in Global Economy.
- To suggest in developing an evaluation of financial literacy for university students.
- To discuss various measures taken by different stakeholders to promote financial literacy in India

#### Literature Review:

According to Lusardi, and Mitchell, 2014 the terms "financial literacy" and "economic literacy" are frequently used synonymously in literature. According to some scholars, the capacity to get and apply financial information is a crucial talent that may be assessed based on financial performance as well as comprehension of financial ideas. As per Murray (2010), personal finance is a combination of skills like problem-solving aptitude, general literacy, and numerical proficiency. Financial literacy is relative because it depends on an individual's socioeconomic circumstances and is connected to issues that are unique to them. Draft of National Strategy on Financial Education (2012), by Indian Government mentions that *“The main components of financial education are understanding the key financial products one may need throughout one’s life; understanding basic financial concepts; developing skills and confidence to be aware of financial risks and opportunities and to benefit from them; making sound*

*financial choices about saving, spending, insurance, investing; and managing debt throughout one’s life.”*

#### Financial Literacy Measures taken by different stakeholders in India:

A significant section of the population in India is economically marginalized. A population that is financially integrated participates in both consumer and financial markets. Therefore, depending on the demographic segment, different techniques are required. The fundamental programs for the excluded group are designed to prevent exploitation, excessive debt, and the country's money lending practices.

1. **The Reserve Bank of India (R.B.I.)** has launched the "Financial Literacy" project, which targets women, senior persons, and students in schools and universities as well as those who are financially excluded from society. India's banks have opened Financial Literacy Centers, or FLCs, all around the nation. Apart from banks, Self Help Groups and Micro Finance Institutions also engage in financial literacy promotion via their educational materials and websites.
2. **The Insurance Regulatory and Development Authority (IRDA)** has established a grievance redressal procedure and initiated an awareness program for policyholders, providing them with information on their rights and obligations. Additionally, it plans seminars that assist policyholders.
3. For years, the **Securities Exchange Board of India (SEBI)** has provided certification programs in a range of topics linked to markets. It hosts workshops across the nation on a range of subjects, including investing, risk management, financial planning, and retirement planning. On their website, the Pension Fund Regulatory and Development Authority (PFRDA) has launched a FAQ area. Additionally, aggregators have been hired to raise public knowledge of pension systems.

**Table 1: Financial Literacy Initiatives by Different Stakeholder**

Organizations	Initiatives
Reserve Bank of India	<ul style="list-style-type: none"> <li>• National strategy for financial education</li> <li>• Materials for financial literacy</li> <li>• Directing banks for various initiatives related with financial literacy</li> </ul>
NGOs/MFIs	<ul style="list-style-type: none"> <li>• SEWA has developed manual for financial literacy.</li> </ul>
Educational institutes	<ul style="list-style-type: none"> <li>• Inclusion of material related with financial literacy in syllabus</li> </ul>
Insurance Regulatory Authority of India	<ul style="list-style-type: none"> <li>• Awareness programmes and Simple messages about the rights and duties of policyholders on television and radio</li> <li>• Annual seminar on policy holder protection and welfare</li> <li>• ‘Policyholder Handbooks’ as well as a comic book series on insurance</li> </ul>
Securities and Exchange Board (SEBI) of India and NISM	<ul style="list-style-type: none"> <li>• Nationwide campaign</li> <li>• Empanelment and training of Resource Persons throughout India</li> <li>• Workshops to these target segments</li> <li>• Investor education programs by NISM</li> <li>• Seminars through various stakeholders</li> <li>• Dedicated website for investor education</li> <li>• Study materials on their websites.</li> </ul>

Source: Adapted from Singh and Venkataramani, 2014.

### Research Methodology:

Here, the study uses both Primary as well as Secondary data. In primary data, the detailed well-structured

questionnaire was conducted on agriculture background students of Undergraduates and Postgraduates

This study takes into consideration Primary as well as secondary data to Study the awareness of Financial Literacy among the University students. To obtain said objectives the detailed well-structured questionnaire was conducted to assess the awareness of University Students. This study takes into consideration three aspects of Financial literacy namely, knowledge, attitude and behavior. We have included questions representing all three aspect.

- **Sample Size:** The Questionnaire was sent to 200 university students across Mumbai and Jodhpur(Rajasthan)
- **Hypothesis:**
- **Alternativ Hypothesys ( H1):** The university students are aware about financial literacy and level of financial literacy among them is observed to be High .
- **Null Hypothesis ( Ho):** The university students **are not** aware about financial literacy .The level of financial literacy among the university students is observed to be low .

### Analysis of Data Collected:

It is necessary to give different weightages to questions depending on the level of difficulty. Respondent correctly answering difficult questions has a better knowledge than the one answering equal number of easy questions and thus should be rated higher. If different weightages are not given, difficult questions will get equal value as easier ones and justifying the same would be difficult. Categorization of respondents on this basis will thus be incorrect. We have included questions on knowledge, behavior and attitude and have given different weightage to the knowledge related questions based on their level of difficulty. There are 30 questions on all the three aspect, and we

have given 1, 1.5 and 2 marks to easy, medium and difficult questions respectively

**Table 2: Classification of Knowledge Related Questions as Per Level of Difficult**

	Easy	Medium	Difficult
Total Number of Questions	10	06	04
Wight Assigned	1	1.5	2
Marks	10	9	08

Similarly, there are 5 questions each on attitude and behavior and each question carries maximum 5 marks.

**Table 3: Category (area) Wise Marks to Questions**

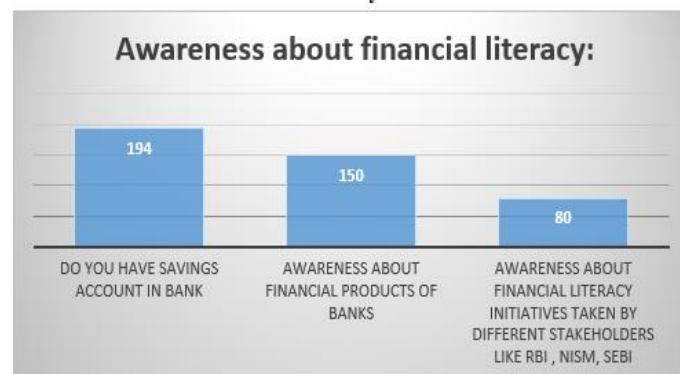
	Marks
Knowledge	27
Attitude	25
Behavior	25

As the questionnaire is designed for students, the knowledge component is given more weightage as compared to attitude and behavior. Majority of students in Mumbai and Jodhpur are dependent of their parents for financial support and their financial attitude and behavior are in early stage of life cycle. To test the validity of the hypothesis, the researcher has collected primary data from university students. The analysis has been done with the help of percentage analysis and bar chart.

**Table4 –Awareness about financial literacy**

Particulars	No. of respondents
Do you have Savings Account in Bank	194
Awareness about financial products of banks	150
Awareness about financial literacy initiatives taken by different Stakeholders like RBI , NISM, SEBI	80

**Chart - Awareness about financial literacy:**



The data analysis brought to light the following facts: . From the above table and Chart, it is observed that from the sample, 97% of the students have a Savings Account in the Bank. Out of the students who have a Bank Account, 78 % of the students are aware of the financial products of the banks. 3. From the students having a Savings Account, only 40% have knowledge of the Financial Literacy initiatives of the Reserve Bank of India, SEBI, NISM and other Stakeholders. Hence, it can be inferred that though students have a savings account in banks, they lack knowledge about the financial literacy initiatives of RBI and banks.

#### **Observations, Conclusion and Suggestions:**

- Students themselves are not the decision maker as far as financial decisions are concerned. It can be inferred that college students do not play the role of financial decision maker and need help of some other family member for financial decisions.
- From the observed data, it can be inferred that though majority of the students have a Savings account, they lack knowledge of the financial products offered by the banks. Even further, majority of them lack awareness about the financial initiatives of banks and/ or RBI.
- The level of financial literacy is observed to be low among university students. Moreover they are aware about some financial planning and modes through awareness programmes run by colleges.

- Considering the education system in India, we suspect that financial literacy here must be at low level. This highlights the need for basic level financial education in the school curriculum and also suitable inputs at college level depending upon their level of financial literacy. The inputs should address attitude and behavioral aspects in addition to knowledge.
- It will favorably affect not only economic aspects of individuals but also social aspects
- Financial literacy will help the people by preventing them in getting in to those traps. It will act as preventive as well as curative measure for the consumers
- To evaluate the effectiveness of development initiatives, a suitable financial literacy metric needs to be developed. In light of this, we suggest in developing an evaluation of financial literacy for university students.
- From the demand side, college students feel the need for Financial Literacy as a part of their curriculum irrespective of the stream that they are studying in. Further, it is observed that preference is given to introducing Financial Literacy as an Optional Subject or as an Additional Certificate Course to supplement their curriculum. It is also observed that the students agree that College

teachers can play a role in promoting financial literacy.

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