

Financial Literacy among College Students in Rural Areas: An Empirical Investigation

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Abstract

The Government of India and the Reserve Bank of India have initiated efforts to enhance banking services, including the expansion of rural bank branches, the implementation of the banking correspondent model, and the promotion of financial literacy. In a diverse nation like India, financial literacy is crucial for the success of this significant social initiative aimed at achieving financial inclusion. An effective strategy encompasses three key components: financial education, financial inclusion, and financial stability. While financial inclusion addresses the supply side by ensuring access to various financial services, financial education stimulates demand by raising awareness among individuals about the advantages and necessities of the financial services provided by banks and other institutions. Together, these strategies contribute to improved financial stability. This paper aims to examine the level of financial literacy among college students in Poonamallee Taluk, Kanchipuram District, Tamil Nadu, in detail.

I. INTRODUCTION

The Reserve Bank of India has launched an initiative called “Project Financial Literacy.” The aim of this project is to spread knowledge about the central bank and fundamental banking concepts to various groups, including school and college students, women, economically disadvantaged individuals in both rural and urban areas, defense personnel, and senior citizens.

The initiative is structured into two modules: the first module features Money Kumar, who will explain the roles and functions of the Reserve Bank of India, while the second module, led by Raju, will cover essential banking concepts. Financial literacy encompasses the ability to comprehend financial matters. More specifically, it involves a set of skills and knowledge that empower individuals to make informed and effective financial decisions.

Foreign Scenario

There is a growing emphasis on personal finance education in state-sponsored programs across countries such as Australia, Japan, the United States, India, and the United Kingdom. In 2003, the Organization for Economic Co-operation and Development (OECD) initiated an inter-governmental project aimed at enhancing financial education and literacy standards by developing shared principles of financial literacy. In March 2008, the OECD introduced the International Gateway for Financial Education, which acts as a central hub for financial education initiatives, information, and research on a global scale. In the UK, the term "financial capability" is preferred by government entities, with the Financial Services Authority (FSA) launching a national strategy focused on financial capability in 2003. Similarly, the US Government established the Financial Literacy and Education Commission in the same year. In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted by the United States Congress, leading to the creation of the Consumer Financial Protection Bureau (CFPB). Among its various responsibilities, the CFPB is charged with enhancing financial education through its Consumer Engagement & Education division.

Indian Scenario

In 2010, the Reserve Bank of India commenced a Financial Literacy initiative aimed at spreading knowledge about the central bank and fundamental banking principles to diverse groups, including school children, women, the economically disadvantaged in both rural and urban areas, defense personnel, and senior citizens.

The initiative consists of two modules: one detailing the roles and functions of the RBI and the other covering banking concepts. Two comics have been made available for download. Educators are encouraged to access these comics from the RBI website (<http://www.rbi.org.in/financialeducation/home.aspx>) and engage students in exploring the site, which includes resources such as games designed to enhance financial literacy for students from the 6th grade onward. The department plans to organize competitions at the block, district, and state levels to promote financial literacy awareness among children.

Objectives of the Study

1. Assess the financial knowledge level among college students.
2. Evaluate the money management skills of college students.
3. Explore the financial challenges and objectives faced by college students.
4. Propose strategies to enhance financial literacy and awareness among college students.

Research Methodology

A descriptive research design was employed, utilizing a survey method. Data for this study was gathered from both primary and secondary sources. A questionnaire was developed based on existing literature related to financial literacy components. This questionnaire was administered to collect responses from participants. The sample consisted of 100 college students aged 17 to 22 from various departments within Science, Arts, and Commerce colleges in Manamadurai Taluk, Sivagangai District, Tamil Nadu. Additionally, interactions with college principals and administrative officers contributed to the research.

Financial Literacy

According to the OECD, financial literacy is defined as “a combination of awareness, knowledge, skills, attitudes, and behaviors necessary for making informed financial decisions and ultimately achieving personal financial well-being.” Global studies, including an OECD survey conducted across 13 countries, indicate that financial literacy levels are generally low. In India, financial literacy is particularly lacking, even when compared to low global benchmarks, as highlighted by studies such as the VISA International Financial Literacy Barometer 2012.

Data Analysis

The age distribution of students who completed the questionnaire is as follows: - The majority of respondents are aged between 17 and 18 years, while only 9 students fall within the 21 to 22 age range. The remaining 29 students are aged 19 to 20 years. - Among the 100 respondents, 50 are from Commerce faculties, 25 from Science, and 25 from Arts. - The gender composition of the respondents is also analyzed. - Income Range 1000 - 3000 Rs: 39 Students - Income Range 3000 - 5000 Rs: 11 Students - Income Range 5000 - 10000 Rs: 2 Students - Income Above 10000 Rs: 1 Student - The financial products held by students are as follows:- Savings Account: 72 Students - Fixed Deposit Account: 3 Students - Credit Card: 2 Students - Mutual Funds or Stocks: 5 Students - Debit Card: 72 Students - No Financial Products: 28 Students - Among the 72 students with savings accounts, only 28 had opened their accounts before the age of 15, while the remaining 44 students established their accounts after turning 18.- When asked about their personal finance skills, students responded as follows:

- I am knowledgeable about managing money and making sound spending decisions: 55 Students - I want to manage my money effectively but lack adequate information: 32 Students

- I recognize that I am not very skilled with money, but I am comfortable with that: 11 Students

- I know I am not good with money, and it can cause me stress: 2 Students - Out of the 100 students surveyed, 19 rarely consider personal finances, 59 think about them occasionally, and 22 think about them consistently.

Regarding the evaluation of the college's effectiveness in providing students with the necessary information and skills for managing personal finances:

- During financial planning,

- 73 students sought advice from their families;

- 19 students consulted their teachers;

- 10 students asked friends for guidance;

- 15 students used the Internet for information;

- 15 students reached out to financial institutions for assistance.

Financial Awareness among Students

- According to 52% of all students surveyed, colleges fail to provide adequate information and skills necessary for managing personal finances, with many believing that only minimal information is offered in this area.

- Among the respondents, 61% of science students and 73% of arts students share this perspective.

- In contrast, 89% of commerce students feel that their colleges sufficiently support their development of financial literacy skills.
- A significant 73% of students seek financial advice from their families, with 90% of arts students, 76% of science students, and 48% of commerce students doing so.
- Additionally, 57% of commerce students consult their teachers for financial guidance, while only 4% of science students turn to their teachers for the same.
- Furthermore, 32% of commerce students seek advice from friends, with 9% of science students and 7% of arts students also relying on their friends for financial management tips.
- A notable 69% of commerce students utilize the internet for financial information, compared to 24% of arts students who do likewise.
- Only 15% of the overall student population reaches out to a bank for financial assistance.

CONCLUSION

The financial literacy among students of the Arts, Science, and Commerce College in Poonnalle Taluk, Chengalpattu District, Tamil Nadu, falls short of global standards. This deficiency is largely influenced by their rural upbringing and can be linked to the inadequacies of the elementary and primary education systems, as highlighted in previous research. It is essential to prioritize efforts aimed at improving financial literacy across all student disciplines, as they represent the future of the nation. A specific inquiry directed at commerce students regarding their perceptions of financial investment revealed that 98% responded positively, indicating that their attitudes have improved after engaging with finance-related subjects in their curriculum. This underscores the urgent need for academic initiatives to bolster students' financial literacy. As India embarks on a path toward economic development, achieving widespread financial literacy is crucial for ensuring that growth benefits the entire population.