
An Appraisal of Financial Literacy between Commerce and Non-Commerce Students (A Case Study of Dr. Harisingh Gour University, Sagar)

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ABSTRACT

Financial literacy is an essential life skill. Money management is a critical intellectual competency and an essential component of a student's success in life. If the purpose of education is to prepare a child for the future, knowledge of personal finance cannot be left out of the curriculum. However, our education system is not geared to impart financial literacy. It teaches our kids Science, Economics, Humanities and Mathematics but does not prepare them for the real world. What come out of the assembly line are the professionals who earn well but have low money management skills. Even IIT grads, Software Engineers and those in the financial services sector are all at sea when it comes to investments, tax planning or saving for retirement. They learn their money lessons the hard way by burning their fingers, which can dent their financial future.

INTRODUCTION

Financial literacy is the most important dimension among the determinants of human capital formation and development. Organization for Economic Co-operation and Development has defined financial literacy as "a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual wellbeing." Both developed and developing nations are conscious of their youth power and constantly trying to develop the financial capability of their youth. As per 2011 Census, India has more than 50% of its population below the age of 25. Over the recent years, financial landscape has changed considerably in our country. In the world of ever increasing financial complexity and an escalating variety of financial products and services, there is an urgent call for inculcating sound money habits in the individuals at a very tender age. If a child grows up learning financial prudence he will become a better investor and a smart spender when he starts earning. Students need to be introduced to the benefits of budgeting and saving for a rainy day. This would make them surpass possible contingencies smoothly in future. They should also be encouraged to learn the basics of banking, about financial concepts and investment products, different types of

insurance covers and how mutual fund works. Financial literacy could lead to multiplier effects in the economy. A financially literate individual would resort to regular savings, which in turn would lead to investment in right channels and income generation. The financial well being of individuals will in turn increase the welfare of the society.

A course on financial literacy would help the child understand its importance early. A small beginning has been made with the CBSE partnering NSE to teach financial literacy in schools. The course "Financial Market Management" will be taught to students of class IX and X. But it is a vocational course and not mandatory for all students.

Once students are in college financial literacy plays a vital role in their financial, academic and social success. This is the high time when they should be financially literate. Already various research findings have documented that lack of financial literacy among college students can potentially lead to such behavior which can be detrimental to their financial life and can produce a number of negative impacts on their individual and aggregate wellbeing. For example, college students can misuse the credit card that can lead to uncontrollable debt. Lack of knowledge about various types of student

loans can produce significant debts that may later burden the students after they leave the university.

WHAT PARENTS CAN DO?

In lieu of formal education system, intentional parent-child financial teaching and training can also be of great importance. Parents who explicitly teach and demonstrate financial concepts can influence financial literacy from a young age through teen years. For parents this can be an opportunity and a challenge that besides teaching their children about the birds and the bees they also teach them about SIP's and EMI's. Children tend to trust their parents and will imbibe any habit instilled in them at an early age. However, not all parents will be able to give their child a head start because the advice they proffer might be flawed. If an individual has had a bad experience with an asset class or an investment product his views about it will be biased. Other parents are uncomfortable talking about money. Culturally, we are taught that at a young age we should be not talking about money. But in the real world a lot depends on how we manage our money.

REVIEW OF LITERATURE

(Starobin, Hagedorn, Purnamasari, & Chen, 2013) The study examined transfer and non transfer student's financial literacy and its impact on their financial well being and academic success. The researchers used the data collected through the financial literacy project at a Land Grant Research University in a mid western state. A survey instrument which was used for the project included 43 items covering constructs such as demographics, parental influence, and life before college, current life position, financial behavior, and financial knowledge and working experience of students while attending a college. In the paper exploratory factor analysis was employed to identify and create specific scales for the measurement of latent constructs such as financial behavior and financial well being. The authors predicted financial wellbeing and academic success of transfer and non transfer students by applying hierarchical multiple regression analyses and reliability analysis. The financial nexus model and the notion of social capital were also used to develop two regression models that predicted financial well being and academic

success among transfer and non transfer students who participated in the study. (Becchetti, Caiazza, & Coviello, 2013) The research paper had experimentally studied the casual impact on financial literacy and virtual portfolio investment or investment attitude of a 16 hour course in finance. The researchers implemented a randomized experiment. The effect was evaluated with a questionnaire which was administered before and after the standardized course on a sample of students in Italian classes. The sample was composed of 944 students in 36 Italian classes. The principal result was that the course in finance decreased the virtual demand for cash and increased the level of financial literacy and the tendency to read and understand economic articles in both treated and control classes compared with pre treatment baseline levels. (Totenhagen, et al., 2015) In the paper a comprehensive review had been conducted by the researchers of the literature on youth financial literacy education. The goal of the paper was to discuss the current state of research findings regarding youth financial literacy education. Besides, the paper identified characteristics of financial education programs which may influence positive changes and/or behavior for youth. Moreover, it also focused on key considerations and promising delivery methods of youth financial education programs. Overall best practices in youth financial education was defined as the key consideration in financial literacy programs. The paper concluded that policy makers, scholars and researchers all have agreed that financial education for youth is very important for long term fiscal well being of individuals, families and the nation as a whole. Several areas had been identified by the researchers in the literature in which policy makers and program practitioners must meet challenges. Further, after the implementation of the financial literacy programs, a rigorous evaluation of the effectiveness of these programs is also a big challenge as per the findings of the research paper.

OBJECTIVE

The paper is made with the objective to throw some light on the state of financial literacy of those students who study finance related subjects and who do not study finance related subjects in their graduation and post graduation courses.

RESEARCH METHODOLOGY

Research is a scientific and systematic search for knowledge. It is an original contribution to the existing literature on a specific topic. "Research methodology is a way to systematically solve the research problem." (C.R. Kothari, 2014). For any logical and organized enquiry, implementation of scientific procedures and application of apt methods is a sine-qua-non. To accomplish the objectives of the research study the following methodology is adopted.

RESEARCH DESIGN

Research design is a blue print or detailed plan of what information is to be collected from which sources and by what procedures. It is the conceptual structure so created so as to obtain answers to research questions and research problems. "Formulation of the research design is not a stagnant stage in the research process rather it is an ongoing backward and forward integrated process by itself". (Deepak Chawla, 2014). Descriptive research design is used in this study wherein efforts are made to identify the possible nature of relationships that might exist between the variables under the study. Also an attempt is made to explore the external factors and variables that might impact the research.

SOURCES OF DATA COLLECTION

"The task of data collection begins after a research problem has been defined and research design chalked out". (C.R. Kothari, 2014). To ensure accuracy and viability of the study both sources of data are used that is primary and secondary sources of data.

PRIMARY DATA

"Primary data as the name suggests is original, problem or project specific and collected for the specific objectives and needs spelt out by the researcher". (Deepak Chawla, 2014) To achieve the objectives of this paper, primary data was collected from the students pursuing post graduation courses in Commerce, Management and Science faculties of Dr. Harisingh Gour Central University, Sagar (M.P.). Non - Commerce students includes only those students who belong to Science background. Interview schedule is used as the data collection tool. The techniques of interviews,

discussions and observation are followed to acquire the requisite information from the respondents i.e. students.

In this survey the students were instructed to answer the questions on the basis of their own understanding on the subject. They were neither allowed to consult others for additional information nor allowed to use calculator/similar devices to answer the questions.

SECONDARY DATA

"Secondary data as the name implies is that information which is not topical or research specific and has been collected and compiled by some other researcher or investigative body. The said information is recorded and published in a structured format and thus is quicker to access and manage". (Deepak Chawla, 2014) Therefore, sources of secondary data used for the purpose of this paper are as follows: Magazines, Journals, Research Papers, Newspapers, Websites, Newsletters, Monthly bulletins (Reserve Bank of India, Securities Exchange Board of India), Data Published by RBI, NSSO, IBA and NIBM.

DATA ANALYSIS AND INTERPRETATION

To generate a score to measure financial literacy of students belonging to science and commerce faculties, each question in the performance test has been assigned 1 mark. If a student gave a correct answer to a question, he/she has been awarded 1 mark for that question. No mark was given for incorrect answers, refusing to answer questions, or for answers "Do not Know".

Graph 1 depicts that as compared to science students, performance of commerce students is far better in parameters like Numeracy, Interest Compounding, Diversification, Investor's Responsibility and Fundamental of Stock Market whereas in two parameters i.e. Time Value of Money and Inflation, science and commerce students are at par with each other. In the Numeracy parameter both science and commerce students have performed very well as compared to other parameters.

CALCULATION OF MEDIAN PERCENTAGE

The percentage scores of science and commerce students were arranged in the ascending order and

Table 1. Performance of Science Students in Financial Competency

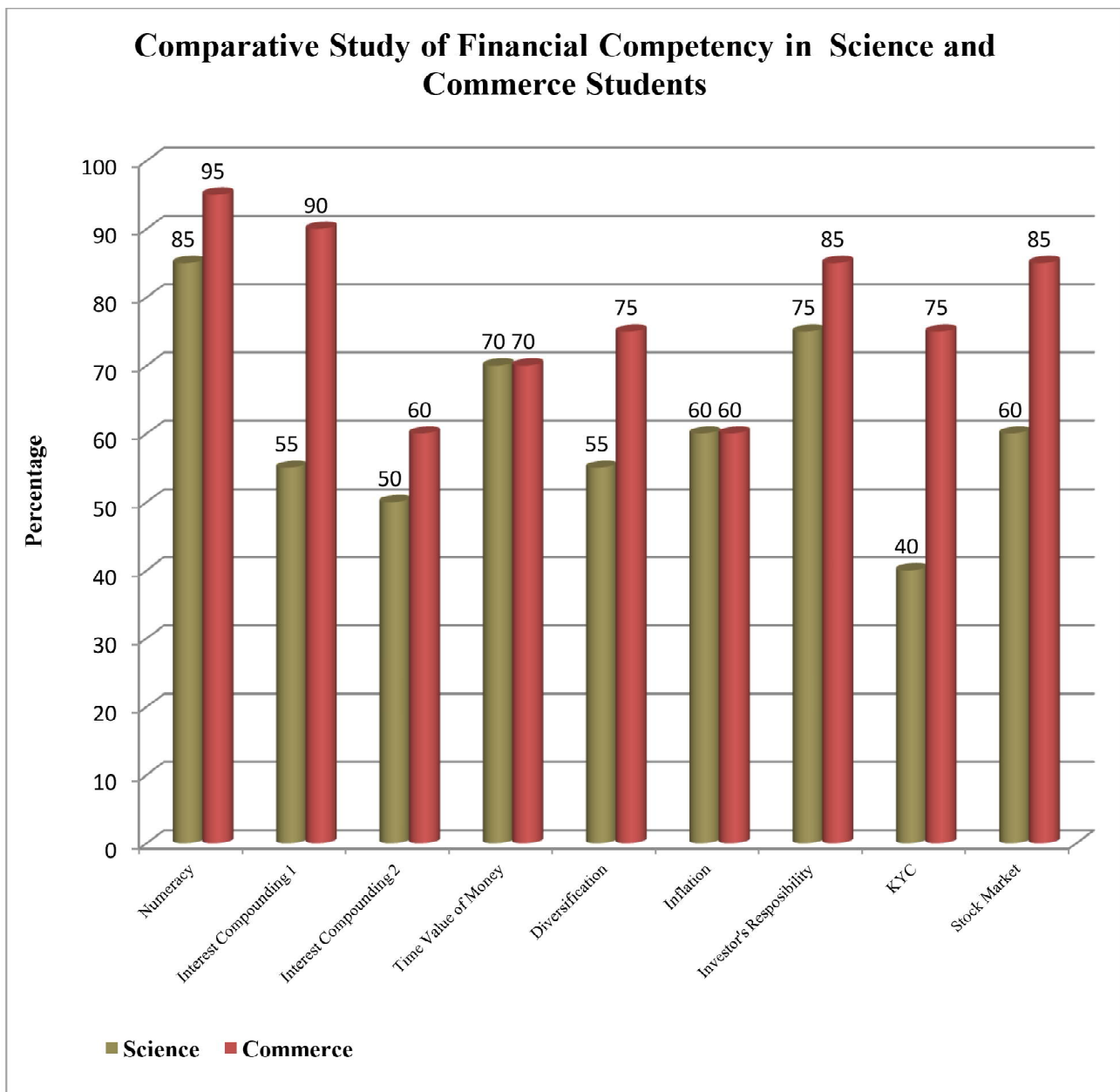
Parameters	No. of Respondents Given Correct Answers	Percentage	No. of Respondents Given Wrong Answers	Percentage
Numeracy	17	85	03	15
Interest Compounding 1	11	55	07	45
Interest Compounding 2	10	50	10	50
Time Value of Money	14	70	06	30
Diversification	11	55	09	45
Inflation	12	60	08	40
Investor's Responsibility	15	75	05	25
KYC	8	40	12	60
Stock Market	12	60	08	40

Table 2. Performance of Commerce Students in Financial Competency

Parameters	No. of Respondents Given Correct Answers	Percentage	No. of Respondents Given Wrong Answers	Percentage
Numeracy	19	95	01	5
Interest Compounding 1	18	90	02	10
Interest Compounding 2	12	60	08	40
Time Value of Money	14	70	06	30
Diversification	15	75	05	25
Inflation	12	60	08	40
Investor's Responsibility	17	85	03	15
KYC	15	75	05	25
Stock Market	17	85	03	15

Table 3. Financial Competency Comparison between Science and Commerce Students (Correct Answers Only)

Parameters	Science		Commerce	
	No.	Percentage	No.	Percentage
Numeracy	17	85	19	95
Interest Compounding 1	11	55	18	90
Interest Compounding 2	10	50	12	60
Time Value of Money	14	70	14	70
Diversification	11	55	15	75
Inflation	12	60	12	60
Investor's Responsibility	15	75	17	85
KYC	8	40	15	75
Stock Market	12	60	17	85



Graph 1: Comparative Study of Financial Competency in Science and Commerce Students

thereafter the following formula was applied.

Median = $N+1/2$, where N represents number of values in the data set.

Median = 66.7 percent

Mean = 65.4 percent

The median percentage of correct scores is 66.7

percent. This median percentage of correct scores of the sample was used to frame financial literacy level or to classify the respondents into two subgroups. The respondents with scores above median (66.7 percent) are considered as respondents with higher financial literacy and respondents with equal to and lower than median (66.7 percent) are considered as respondents

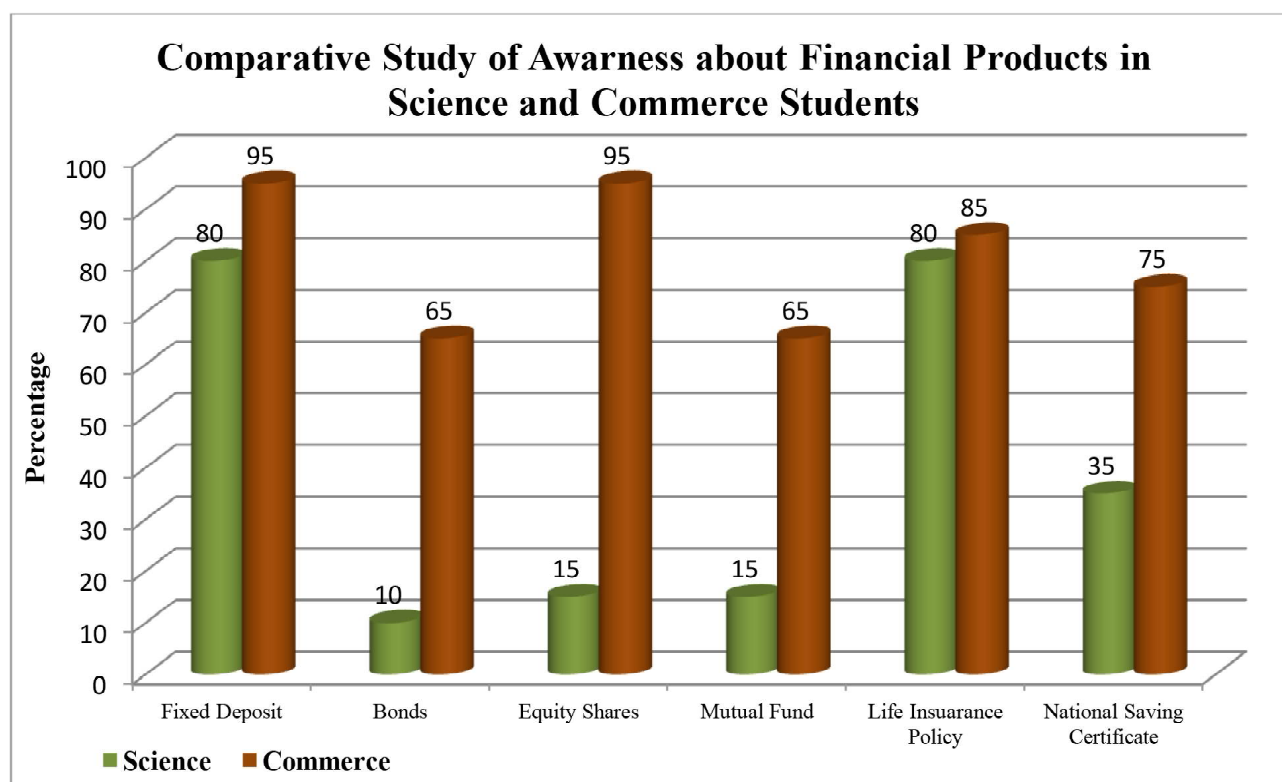
Table 4. Awareness about Financial Products in Science Students

Parameters	No. of Respondents Given Correct Answers	Percentage	No. of Respondents Given Wrong Answers	Percentage
Fixed Deposit	16	80	04	20
Bonds	2	10	18	90
Equity Shares	3	15	17	85
Mutual Fund	3	15	17	85
Life Insurance Policy	18	90	02	10
National Saving Certificate	7	35	13	65

with relatively lower level of financial literacy. Graph 3 shows that majority of science students (16 students) have low level of financial literacy as their percentage scores are below median (66.7 percent). Whereas maximum commerce students (16) have higher level of financial literacy as their percentage scores are above median.

CONCLUSION

Financial literacy is an essential life skill. Money management is a critical intellectual competency and an essential component of a student's financial, academic and social success in life. Given the fact that as per 2011 Census, India has more than 50% of its population



Graph 2: Comparative Study of Awareness about Financial Products in Science and Commerce Students

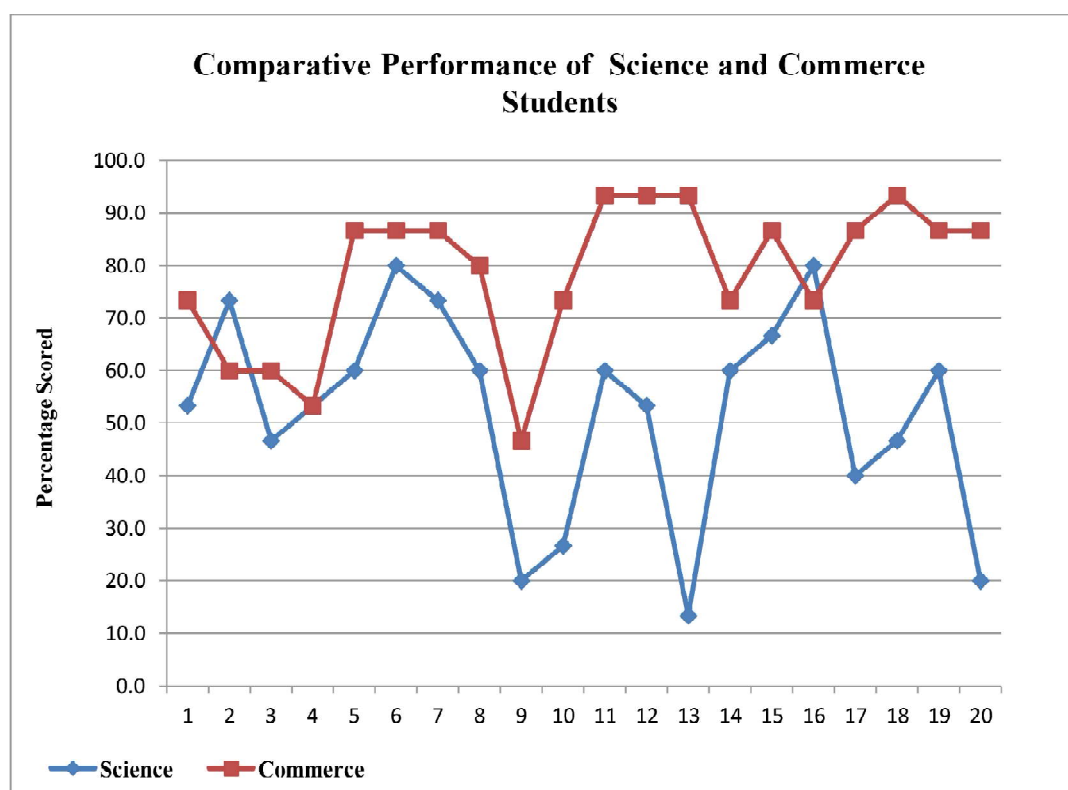
Table 5. Awareness about Financial Products in Commerce Students

Parameters	No. of Respondents Given Correct Answers	Percentage	No. of Respondents Given Wrong Answers	Percentage
Fixed Deposit	19	95	01	5
Bonds	3	15	17	85
Equity Shares	19	95	01	5
Mutual Fund	13	65	07	35
Life Insurance Policy	17	85	03	15
National Saving Certificate	15	75	05	25

below the age of 25, therefore, there is an urgent need for inculcating sound money habits in the students. Students need to be introduced to the benefits of budgeting and saving for a rainy day. This would make them surpass possible contingencies smoothly in future. They should also be encouraged to learn the basics of banking, about financial concepts and investment

products, different types of insurance covers and how mutual fund works.

On the other hand, financial education should not be another subject to be taught in the schools to improve financial literacy among students. What is needed is appropriate integration in the school or college curriculum. For example, arithmetic curriculum already



Graph 3: Comparative Study of State of Financial Literacy in Science and Commerce Students

Table 6. Awareness about Financial Products. Comparison between Science and Commerce Students (Correct Answers Only)

Parameters	Science		Commerce	
	No.	Percentage	No.	Percentage
Fixed Deposit	16	80	19	95
Bonds	2	10	3	65
Equity Shares	3	15	19	95
Mutual Fund	3	15	13	65
Life Insurance Policy	18	80	17	85
National Saving Certificate	7	35	15	75

has elements of financial education such as percentage, interest compounding, discount etc. these need to be presented in a modern setting so that the students and the teachers are able to identify with. Similarly, moral science courses could have contents which are based on day to day financial transactions.

The task of achieving universal financial literacy is a global one and has huge dimensions. We need to learn from the initiatives taken by other nations and implement what is suitable in our context. Some progress has been achieved but a lot needs to be done. Certainly, with the active involvement of all stakeholders, India will be able to take efforts for financial literacy from principles to actions.

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