

An Analysis of Literacy in Finance among the Students of Postgraduate Management Studies in Hyderabad

R K Prasad Gutti

Asso. Professor, GITAM-Hyderabad Business School, GITAM (Deemed to be University),
rgutti@gitam.edu

Abstract

The financial systems and financial products are becoming versatile day-by-day to attract investors to new investment opportunities. In these situations, Literacy in Financial plays a significant role in making the investor's decisions to secure their future. Financial knowledge, attitude, and behaviour are three integral elements of the concept of literacy of finance. This paper aims to understand the literacy level of finance amongst the students of postgraduate management in Hyderabad. For this study, the data is obtained through primary sources using a structured questionnaire and secondary sources, including published reports in this area. The research clearly shows that the average financial literacy levels of management graduate students in Hyderabad are 33%, higher than the national average of 25% as per S & P Global Financial Literacy Survey, 2014. The literacy levels of male students are higher than female students, and urban students' financial literacy levels are higher than rural and semi-urban brought-up students. Based on the analysis, 16.66% of the postgraduate management students are highly knowledgeable in financial matters, 60% % are moderately, and the rest not financially knowledgeable. The reason may be that 40% of postgraduate management are from a technology background; apart from this, 70% of students' financial needs are supported by parents. (Abstract).

Key words: financial literacy; financial knowledge; financial behaviour (keywords)

Introduction

Financial behavior and literacy have become an essential subject among policymakers, researchers, particularly after the global financial crisis. The individuals need to understand their personal financial needs and make necessary decisions to secure their future financial conditions since the social and economic environment is adversely affected by COVID 19 pandemic. This pandemic is continuing in India and well as in other countries over the world. Apart from the ongoing social crisis, there are tremendous changes that are taking place in India as well in other counties in the financial products and financial systems. These financial institutions, banks, and corporate entities are developing more complex financial products to attract capital flow. There is a need for higher financial literacy levels among the population for robust economic development and growth.

For the sustainable economic development of an individual and the nation, literacy in finance shows a dominant part in reducing dependency on the government for financial assistance and support and using its economic resources for economic development.

Therefore, literacy in finance is an essential skill for investors operating in an increasingly intricate economic system. Consequently, most of the world's governments are showing interest in identifying practical approaches to improve their population's literacy in financial

matters. Many governments are forming and implementing national strategies to impart education in financial matters to provide learning opportunities all through their lives.

India is a fast developing economy globally, focusing on comprehensive growth and a steady economic system, identifies the need to develop the country's Strategy for Financial Education (NSFE). In the Financial Stability and Development Council (FSDC), Technical Group on Financial Inclusion and Financial Literacy were established to cater to all sections of the country's population's financial education needs.

Literature Review

Literacy in finance:

Many have defined financial literacy; however, considering OECD definition, financial literacy is "A combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being"[1]

Various studies around the world about literacy in finance showed that it is low, including the OECD survey across 13 nations in the world. Indians' financial literacy level is low even by the global standards based on VISA International Financial Literacy studies conducted in 2012. The Standard and Poor survey in 2014 showed that India's financial literacy rate is 25% [2].

Reference [3] to [6] have identified that while funding is increasing for financial literacy and financial education, there are still significant setbacks to reduce commonly distributed measures of financial literacy established by comprehensive psychometric analysis.

Reference [7] an absence of financial literacy can harm individuals' ability to make appropriate financial decisions. Financial advice needs to be provided for people who exhibit financial decision-making problems as an alternative for financial awareness and literacy.

Reference [8] surveyed 3,000 people in India and concluded that Indian financial awareness is lower than international standards. However, the workers' and pensioners' financial conduct and attitude continue to be optimistic.

Reference [9] and [10], individuals with low financial risk tolerance levels are the least financially capable and have the most inadequate subjective net worth assessment. They are still less pleased with their financial management capabilities

The financial conduct of the person is determined by the degree of financial risk tolerance. The study conducted by [11] among 250 postgraduate and undergraduate university students in Cape Coast indicated that work experience and age are positively correlated to literacy in finance and that mothers' literacy is positively associated with the literacy in finance of respondents.

Demographic variables such as level of study, place of employment, fathers' education, and sources of knowledge such as media access and money education do not impact financial literacy.

In their study, [12] measured the average accuracy rate of college students' financial literacy based on their specialization in what they were learning. The average of all respondents was 61.9 percentage based on the study outcome. However, the Business or Economics specialization accuracy rate was 62.4 percent, and it was more than the overall average. Its portion was, however, lower than Engineering (63.2%), Science (64.0%), and Social Science (64.0%).

The study made by [13] found that the grades of MBA students in India did not significantly affect their economic literacy scores. Reference [14] found that the determinants of credit cards are significantly dependent on a year of study, credit card status, and daily routine, and these have clear relevance to users' awareness of credit cards.

Parents have an obligation to manage cash, and they are the primary source of financial information. They provide financial assurance for a better financial future for their children. Parents effectively handle money; then, they take their children as their role models in determining financial matters.

The 2011 Youth Financial Literacy Study of the Canadian Institute of Chartered Accountants CICA's and study by [15] found that education and age are genuinely associated with literacy in finance and well-being. Compared to a single person, married persons are more literate, and women are less financially literate than men. Higher financial prosperity and less financial worry are possible through higher financial literacy. Finally, financial security leads to low financial concern.

Financial forecasting enables people to prepare a reasonable budget to manage their finances and meet their financial needs. Financial literacy is a global problem and depends on the financial requirements and actions of the person. It is concluded that financial literacy is strongly influenced by socio-demographic factors such as age, area or country of residence, the economic climate, income, family, dependents, parents' education, financial advice, etc.

It is essential to find various literacy levels in finance in different clusters to formulate a comprehensive strategy for distributing financial information to other individuals. This study aims to measure Hyderabad's postgraduate management student levels of financial literacy.

Objective of study.

The objectives of the study are

1. To recognize the extent of students' financial literacy
2. To analyze the degree of knowledge in financial matters among students
3. To investigate the student's behavior about money and investment management

Research Methodology

1. **Research Design:** Descriptive research and survey approach is applied.
2. **Data source:** Primary as well as secondary sources used.
3. Based on existing studies, prepared a questionnaire to collect data from the respondents on Financial Literacy components, such as financial knowledge, financial awareness, and financial behavior.
4. **Sample size:** The sampling size consists of 108 students of 21 to 27 years belonging to Hyderabad.

Limitation Of The Study

1. This study is limited to the age group between 21 to 27 years.
2. The data was only collected from the postgraduate management students of Hyderabad city; hence the results cannot be generalized.
3. The study attempts to find out the financial literacy levels possessed by postgraduate management students and may not ensure the financial well-being of the sample

Data Analysis

1. **Analysis of the age group:** The age-wise analysis of respondents is as follows:

Table 1 Analysis of age group

	Frequency	Percent	Valid Percent	Cumulative Percent
19-21	12	11.1	11.1	11.1
22-24	81	75.0	75.0	86.1
25-27	12	11.1	11.1	97.2
>27	3	2.8	2.8	100.0
Total	108	100.0	100.0	

From the above Table 1, most of the students who pursue the postgraduate management course are in the age group between 22-24 years and between 19-21 years and 25-27 years occupy 11% each. The mean age is 22 years.

2. **Gender Analysis:** Out of the respondents, 46 (42.6%) are female, and the rest 62 (57.4%) are male respondents as per Table 2 below

Table 2. Gender Analysis

	Frequency	Percent	Valid Percent	Cumulative Percent
Female	46	42.6	42.6	42.6
Male	62	57.4	57.4	100.0
Total	108	100.0	100.0	

3. Analysis of different specializations that joins the postgraduate management program:

As per Table 3, the majority of students joining postgraduate management program are from a technology background, i.e., B.Tec stream 38% (41 students) and next is from commerce stream (B.Com) 25.9% (28 students) and third place are from Business Administration stream having 20.4% (22 students)

Table 3. Educational qualifications at the undergraduate level

	Frequency	Percent	Valid Percent	Cumulative Percent
B.Com	28	25.9	25.9	25.9
BA	5	4.6	4.6	30.6
BBA	22	20.4	20.4	50.9
B.Tec	41	38.0	38.0	88.9
BE	3	2.8	2.8	91.7
B.Sc	9	8.3	8.3	100.0
Total	108	100.0	100.0	

4. Analysis of students group-up (urban, rural and semi-urban)

Out of these postgraduate management students, 59.3% are from urban brought up, and 30.5% is from semi-urban and balance 10.2% is from rural brought-up as per Table 4

Table 4 Grownup from

	Frequency	Percent	Valid Percent	Cumulative Percent
Rural	11	10.2	10.2	10.2
Semi Urban	33	30.6	30.6	40.7
Urban(city)	64	59.3	59.3	100.0
Total	108	100.0	100.0	

5. Analysis of parental qualifications

Table 5 Educational Qualifications of parents

	Father		Mother	
	Frequency	Percent	Frequency	Percent
10th	19	17.6	46	42.6
Inter	23	21.3	17	15.7
Degree	46	42.6	34	31.5
PG	14	13.0	8	7.4
Professional	6	5.6	3	2.8
Total	108	100.0	108	100.0

Table 5 shows that 42.6% of fathers and 31.5% of mothers of respondents have bachelor's degree backgrounds. Only 13% of fathers and 7.4% of mothers having postgraduate

qualifications. Significantly 42% of mothers having 10th class qualifications. Hence, the low literacy of parents has less impact on the financial literacy of their wards.

6. Analysis of students income and its sources:

Table 6 shows that 71% of the postgraduate management students do not have any income source. Only 29% of students have income from different sources, such as business income, dividend income, rental income, and salary income. 18% of the students have salary income through part-time working.

Table 6 Regular income and its sources

	Frequency	Percent	Valid Percent	Cumulative Percent
Nil income	77	71.3	71.3	71.3
Business income	5	4.6	4.6	75.9
Dividend income	1	.9	.9	76.9
Rental income	5	4.6	4.6	81.5
Salary income	20	18.5	18.5	100.0
Total	108	100.0	100.0	

7. Analysis of Parental financial support:

From the table 7, for every 100 students, 35 students financial needs are met to the extent of 75% to 100%, and nil support is for just 9% of the students that means 91% of the students are receiving parental financial help, but the only percentage of support varies. From Table 6 and 7, we can conclude that 11% of students working but still receive parental help to support their total expenditure.

Table 7 Percentage of financial needs met by parents regularly

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 25% to 50%	20	18.5	18.5	18.5
50% to 75%	19	17.6	17.6	36.1
75% to 100%	38	35.2	35.2	71.3
Nil	10	9.3	9.3	80.6
up to 25%	21	19.4	19.4	100.0
Total	108	100.0	100.0	

Table 7 indicates that 9.3% of students have nil financial support by parents for their financial needs, shows that these students may be working while studying, whereas 35% of the students are supported 75% -100% by their parents for their financial needs.

8. Analysis of parental financial support per month

Table 8 Parents financial support per month

	Number of students	Percentage
Less than Rs.5 000	40	37.0
Rs. 5,000 to 10,000	39	36.1
Rs. 10,000 to 15,000	16	14.8
Rs. 15,000 to 20,000	4	3.7
Greater than Rs. 20000	9	8.3
Total	108	100.0

Based on table 8, out of every 100 students, 37 students are getting less than Rs.5,000 monthly support from parents, and eight students are getting more than RS. 20,000.

9. Analysis of Financial Learning

The question, "How often your parents discussed each of the following with you in the past five years?" the responses are as follows;

Table 9A Financial learning from parents

	Never (1)	Rarely (2)	Occasionally (3)	Frequently (4)	Very frequently (5)	Means value
A) Preparing budgets /plans	23	17	32	24	12	2.8611
B) Managing income and expenses	16	17	27	26	22	3.1944
C) Paying bills on time	15	8	27	28	30	3.4630
D) Managing Savings and investment	14	14	30	25	25	3.3056
E) Managing debt/borrowings	22	12	32	24	18	3.0320

Concerning the question, "Did you learn about managing your money from the following?" the responses are as follows:

Table 9B Financial learning from different sources

	No (1)	Low (2)	Neutral (3)	High (4)	Very high (5)	Means value
A) Parents	8	4	19	25	52	4.0093
B) College/University	13	14	43	27	11	3.0833

C) Media	17	23	46	14	8	2.7500
D) Internet	17	20	47	14	10	2.8148
E) Financial professionals	23	19	35	19	12	2.7963

From tables 9A and 9B

11% of students' parents discussed very frequently with their children about preparing budgets.

20% of parents discussed very frequently about managing income and expenses

28% of parents discussed very often about paying bills on time

23% of parents discussed very frequently about managing savings and investments

16.66% of parents discussed very frequently managing debt/ borrowings.

48% of students learn money management very highly from parents, 10% from their college/ university studies, 7% from media, 9% from the internet, and 11% from financial professionals.

10. Analysis of financial knowledge:

Table Financial Knowledge

Finance knowledge score	Frequencies (NO of students)
11-20	7
21-30	18
31-40	28
41-50	37
51-60	18
Total	108

From the financial knowledge score, 16.66% of students are highly knowledgeable, 60% are moderately, and the remaining 23.33% are low-knowledgeable in financial matters. The reason may be that majority of the students joining the postgraduate management program are from a technology background.

11. Analysis of financial learning:

Table 11: Financial literacy levels

	Frequency	Percent	Valid Percent	Cumulative Percent
58-138 low literacy	9	8.3	8.3	8.3
139-218 moderate literacy	63	58.3	58.3	66.7
219-290 high literacy	36	33.3	33.3	100.0
Total	108	100.0	100.0	

As per the above table, the average financial literacy levels of management graduate students in Hyderabad are 33%. The national average is 25% as per S & P Global Financial Literacy Survey, 2014, which considers the population's financial literacy levels in general. In contrast, in the study, we regarded as postgraduate management students only.

12. Analysis of Financial behavior about money management and savings/investment management:

The financial behavior responses about money management and savings/ investment management are:

	Not at all true (1)	Some what not true(2)	Not sure (3)	Some what true (4)	Very True (5)	Mean value
Money Management						
A) I compare purchase bills with my monthly statement	7	11	42	27	21	3.4074
B) I use my money carefully	5	13	22	31	37	3.7593
Savings/Investment						
A) I contribute to savings account regularly	8	8	30	31	31	3.6389
B) I regularly make investments	18	14	35	23	18	3.0837

Out of the students, 19.5% only compare their purchase bills with their monthly statements, 34% of students use money carefully, closely, 29% of the students contribute to savings accounts regularly, maybe those who are earning. Only 16.66% regularly make investments.

Conclusion:

The financial literacy levels of postgraduate management students in Hyderabad are marginally higher than 25 percent of the general population's financial literacy levels based on the survey conducted by Standard and Poor in 2014, but lower than international criteria. A significant portion of this is attributed to poor numerical skills and linked to India's lower primary and secondary education levels. Only 17% of students are financially more knowledgeable, and 60% are moderately familiar. The majority of the students do not use money carefully, and only 17% regularly make investments.

Attention should be paid to improve students' financial literacy as they are the country's future. The majority of postgraduate management students come from a technical background, and most of the students are financially supported by their parents. The financial literacy rate of male students is higher than female students.

Hence, it is apparent that a great deal needs to be done under academics to develop postgraduate management students' financial literacy. As India is embarking on economic growth, present as well future, in the absence of complete financial literacy, economic growth will not be significant, full, and proper to the country's masses.

References.

1. OECD INFE Measuring financial literacy: Core Questionnaire in Measuring Financial Literacy: Questionnaire and guidance note for conducting Internationally Compatible Survey of Financial Literacy. Paris. OECD, 2011.
2. The Standard & Poor's Ratings Services Global Financial Literacy Survey, 2014. https://gflec.org/wp-content/uploads/2015/11/3313-Finlit_Report_FINAL-5.11.16.pdf?x46739
3. S.Marcolin, and Abraham, Anne, "Financial literacy research: current literature and future opportunities", 2006. <https://ro.uow.edu.au/commpapers/223>
4. J. Schuchardt, D Sherman Hanna.K. Hira Tahira, C. Lyons Angela, L. Palmer.and Jing Jian Xiao. 2008. Financial Literacy and Education Research Priorities. Journal of Financial Counseling and Planning, vol. 20, pp. 84-95
5. D.L Remund. "Financial Literacy Explicated: The Case for a Clearer Definition in an Increasingly Complex Economy". Journal of Consumer Affairs, 2010, 44: pp. 276-295. <https://doi.org/10.1111/j.1745-6606.2010.01169.x>
6. S.J. Huston, "Measuring Financial Literacy". Journal of Consumer Affairs, 2010 ,vol.44, pp. 296-316. <https://doi.org/10.1111/j.1745-6606.2010.01170.x>
7. Edwards, C. Michael., and O. Maria Edele, Special Topics in IRT. In Quantitative Methods in Psychology, edited by Roger E. Millsap and Alberto Maydeu-Olivares, 2009, pp.178-198 . Los Angeles, CA: Sage
8. S.K.Agarwalla, K.Samir Barua, J. Jacob and J. Varma, "Financial Literacy among Working in India" [World Development](#), 2015, vol. 67, issue C, pp.101-109
9. A. Lusardi, and O. S.Mitchell, "Financial literacy and retirement preparedness: Evidence and implications for financial education". *Business Economics*, 2007, 42, pp. 35-44

10. A.Ronald Sages, E.John Grable, “Financial Numeracy, Net Worth, and Financial Management Skills: Client Characteristics That Differ Based on Financial Risk Tolerance”. *Journal of Financial Service Professionals*, 2010,pp. 57-65
11. A. Abraham,A. G. Michael,“Determinants of University Working-Students’ Financial Literacy at the University of Cape Coast, Ghana, *International Journal of Business and Management*, 2012. Vol.7(9), pp.126-135
12. Mandell, Lewis & Klein, Linda,“The Impact of Financial Literacy Education on Subsequent Financial Behavior. *Journal of Financial Counseling and Planning*”,2009.
13. R.K. Koshal., A.K. Gupta, A. Goyal, V.N. Choudhary. “Assessing Economic Literacy of Indian MBA Students”, *American Journal of Business*, 2008, vol. 23 (2), pp. 43-52.
14. S. Martin, “An examination of corporate social responsibility and financial performance: A study of the top 50 Indonesian listed corporations”, 2007.
15. M.Taft, &Z.Hosein, &S. Mehrizi,“The Relation between Financial Literacy, Financial Wellbeing and Financial Concerns”, *International Journal of Business and Management*, 2013.8. 10.5539/ijbm.v8n11p63.