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Financial Literacy among College Students of Aurangabad District, Bihar

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Abstract:

People's financial decisions and results are greatly influenced by their level of financial literacy. This study explores the financial literacy levels of college students in Aurangabad district, Bihar, and analyses the impact of demographic factors on financial literacy. A survey involving 415 students was carried out to examine how education, subject discipline, and parental education influence financial literacy. The research posits that there is correlation between financial literacy and demographic factors, educational background, discipline of subject of education and parental education. The analysis of the data involved the use of Univariate Analysis, Correlation, One Way ANOVA tests and descriptive statistics.

Keywords: Financial Literacy, Socioeconomic Factors, Education, Aurangabad District, College Students, Parental Education.

Introduction:

Financial literacy denotes the capacity to comprehend and apply diverse financial competencies, encompassing personal financial management, budgeting, and investment strategies. Financial literacy is essential for college students as they prepare to enter the workforce and make significant financial decisions. Students in rural regions, such as the Aurangabad district in Bihar, may have distinct obstacles in attaining financial literacy due to diverse socioeconomic limitations.

Key Aspects of Financial Literacy:

Budgeting: The ability to successfully manage monthly or annual costs within the constraints of available resources.

Saving and Investment: Knowing how to save money and invest it in different financial instruments, such stocks, mutual funds, and bank deposits.

Debt management: Debt management is the understanding of how to responsibly manage loans, credit card debt, and school loans.

Insurance and Risk Management: Basic understanding of general insurance, health insurance, and life insurance is necessary for risk management.

Taxation: Knowledge of the nature of taxes and their importance to personal budgeting.

Financial Literacy Status in Aurangabad District:

Low Exposure and Rural upbringing: A large number of Aurangabad students have minimal exposure to formal financial institutions due to their rural upbringing. Parents frequently work in agriculture or in other unofficial jobs, which could impede their children's early financial education.

Education System and Curriculum Gaps: The majority of the region's educational establishments do not place a strong emphasis on financial education. Students will graduate from high school without the fundamental financial skills they will need as adults because the curriculum does not provide them with any real-world financial management lessons.

Effect of Socioeconomic Status: Students from economically disadvantaged groups frequently have trouble obtaining financial services. It's possible that they don't even know the fundamentals of banking, much less sophisticated financial products like loans or investments. Their capacity to handle student loans or scholarships is also impacted by this.

Digital Penetration and Financial Tools: Students' financial literacy has been gradually increasing since the introduction of digital banking and payment systems like UPI (Unified Payments Interface). But many people might not be able to completely utilise these technologies or comprehend how they work if they are not properly educated.

Challenges Faced in Enhancing Financial Literacy

Lack of Resources: Trained individuals with the ability to teach financial literacy in colleges are hard to come by. Government measures are being implemented gradually, although in tiny towns like Aurangabad, they haven't yet had a major effect.

Cultural Barriers: It is still uncommon for families to talk finances openly, especially when it comes to investments, debt, and savings. As a result, it can be challenging for kids to have honest discussions about money management.

Limited Knowledge of Financial Institutions: A large number of students rely on unofficial, frequently predatory, or untrustworthy sources of funding because they are unaware of the existence of formal financial institutions such as banks, mutual fund houses, or insurance companies.

Literature Review:

Existing studies on financial literacy highlight its importance in enabling individuals to manage personal finances effectively. Research shows that financial literacy is associated with better financial behavior, including saving, investing, and avoiding high debt. However, financial literacy levels in India, particularly in rural areas, are low, with limited studies focusing on college students in these regions.

The literature review highlights various studies examining the relationship between financial literacy and demographic factors, particularly focusing on gender, education, and socio-economic status. **Chen and Volpe (2002)** found that males generally possess more financial knowledge than females, with younger adults (ages 25-35) showing greater interest in personal finance management. **Canova (2005)** emphasized the importance of saving and financial literacy, linking different saving goals to individual orientations and highlighting the need for financial knowledge for retirement planning.

AC Nielsen (2005) reported improvements in financial knowledge among Australians, influenced by socio-economic factors. **Remund (2010)** defined financial literacy as the skills necessary for effective financial decision-making and communication. **Bonte and Filipiak (2012)** explored the impact of social interactions and caste on financial literacy in India, revealing disparities based on caste affiliation.

Beal and Delpachitra (2003) found that first-year college students at Southern Queensland University exhibited lower financial literacy compared to upper-year students, with business majors demonstrating higher financial knowledge. **Hussain and Al Anood (2009)** identified 37 determinants affecting investment decisions among UAE investors, emphasizing the role of financial knowledge in these decisions.

Mandel (2005) surveyed high school students, concluding that a significant majority lacked financial literacy, which negatively impacted their saving behaviours. **Voydanoff (1990)** linked family income levels to financial knowledge, suggesting that higher earners tend to be more financially literate. Lastly, **Chen and Volpe (1998)** reiterated the importance of educational background in financial literacy, with business students outperforming their non-business peers in financial knowledge assessments.

Overall, the reviewed literature underscores the critical role of financial literacy in personal finance management and the influence of various demographic factors on financial knowledge levels.

Statement of the Problem:

The state of financial literacy in India is worrisome across the board. People in India have an extremely low level of financial literacy compared to the rest of the world. Since today's students have the potential to become tomorrow's investors, it is crucial to assess the level of financial literacy among Indian college students. In an effort to keep up with the rest of the

globe, the Indian government is constantly introducing new economic policies. There is a need to research college students' financial literacy because it is a premise that Indian youths do not know enough about money. Sound financial planning and regular savings are the bedrock of any growing economy. That is why it's crucial for the general public to have solid financial literacy. The individual's level of financial literacy and competence determines the appropriate allocation. Having a solid grasp of personal finance can help you save more money. A person's level of financial literacy can be influenced by their familiarity with different investment options, their personal investment choices, the advice of friends and family, and their family's financial situation. These criteria can differ from one individual to the next. It is also important to think about how actively students are participating in different classes. Along with the aforementioned elements, demographic considerations also play a role in shaping people's level of financial literacy. Financial literacy among college students in the Aurangabad District is examined in this essay from multiple angles.

Objective of the Study:

This study aims to assess the financial literacy levels among college students in Aurangabad district and determine the influence of demographic, educational, and parental factors. Followings are the objectives of the study:

1. To find out the financial literacy among college students of Aurangabad District.

2. To know the impact of Socio-economic factors on the financial literacy of college students of Aurangabad District.

Methodology: -

Sampling and Data Collection:

A structured questionnaire was used to collect data from 415 college students in Aurangabad district, Bihar. The students were conveniently selected from different colleges, ensuring a diverse representation in terms of gender, subject discipline, and socioeconomic background.

The questionnaire included questions on demographic information, parental education, students' education and subject discipline, and financial literacy. The financial literacy section covered basic awareness of financial concepts, such as saving, interest rates, budgeting, loans, and investment.

Variables:

- Dependent variable: Financial Literacy (measured as low, medium, high). There is total 21 items included to measure the financial awareness among college students which are: Simple Interest, Compound Interest, Exchange Rate, Inflation, Shares, ROI, Dividend, Investment, Debit Card, Bank Loan, Risk and Return, Budget, Investment

Diversification, Entrepreneur, Income Tax, Net Worth, Credit Card, Difference between Debit Card and Credit Card, Mobile Banking, Internet Banking, Saving Bank Account. 1 mark has been allotted for each item. Those students who obtained more than 10 marks considered to be medium, those who obtained less than 10 marks considered to be low at financial literacy and more than 10 marks have been considered to be highly financially literate.

- Independent variables: Socioeconomic factors: Gender, age, family income, urban/rural background. Educational background: Level of education (undergraduate, postgraduate), subject discipline (commerce, arts, science). Parental education: Highest education level of parents (any one).

Hypotheses:

1. There is no association between socioeconomic and demographic factors and financial literacy among college students.
2. There is no association between financial literacy and education and subject discipline among college students.
3. There is no association between financial literacy and parents' education among college students.

Data Analysis:

The data were analyzed using different statistical tools like univariate analysis of variance, correlation, one-way ANOVA and descriptive statistics to summarize the demographic characteristics and financial literacy levels of the respondents.

Results:

Demographic and other Profile

		Frequency	Percentage	Mean
Residence	Rural	303	73	1.3566
	Urban	76	18.3	
	Semi Urban	36	8.7	
Religion	Hindu	401	96.6	1.0337
	Muslim	14	3.4	
Gender	Male	116	28	1.7205
	Female	299	72	
Age	15-17 yrs	12	2.9	2.8193
	18-20yrs	194	46.7	
	21-23 yrs	66	15.9	
	24yrs and above	143	34.5	

Education	Intermediate	5	1.2	3.5759
	Graduation	66	15.9	
	Post Graduation	29	7.0	
	Others	315	75.9	
Parental Education	Uneducated	8	1.9	4.2867
	Primary	18	4.3	
	Secondary	71	17.1	
	Senior Secondary	93	22.4	
	Graduate	202	48.7	
	Post Graduate	21	5.1	
	Ph.D.	.5	.5	
Social Category	General	44	10.6	3.6554
	SC	64	18.4	
	ST	1	.2	
	OBC	188	45.3	
	EBC	118	28.4	
Family Type	Joint	223	53.7	1.4627
	Nuclear	192	46.3	
Family Income	Below 10 k	114	27.5	2.3373
	10-20k	157	37.8	
	20-30k	77	18.6	
	30-40k	36	8.7	
	40k-50k	19	4.6	
	50k and above	12	2.1	

The dataset above contains a demographic analysis of a college students, including information such as residence/locality, religion, gender, age, education, parental education, socioeconomic category, family type, and family income. The majority of the population (73%) lives in rural areas, with 18.3% in cities and 8.7% in semi-urban areas. In terms of religion, 96.6% are Hindus and 3.4% are Muslims. The gender distribution indicates that 72% of the population is female and 28% are male. 46.7% of the population is between the ages of 18 and 20, followed by 34.5% of those aged 24 and above, and smaller numbers in younger age categories. Educational attainment shows that 75.9% have qualifications classed as "Others" (most likely informal schooling), 15.9% have a graduation degree, and 7% have post-graduate qualifications.

In terms of parental education, 48.7% of respondents had parents who have earned a graduate degree, while 22.4% have parents who have completed senior secondary school. According to the social category breakdown, 45.3% are OBC, 28.4% are EBC, 18.4% are SC, and 10.6% are general, with only 0.2% being ST. The majority of families are joint (53.7%), with 46.3% living in nuclear households. According to the family income distribution, 37.8% earn between ₹10,000 and ₹20,000 per month, while 27.5% make less than ₹10,000 and only 2.1% earn more

than ₹50,000. Overall, the dataset contains information about the socioeconomic and demographic aspects of the studied population.

Financial Awareness Score Obtained by Students

		Gender		Total
		Male	Female	
Financial Awareness	.00	0	4	4
	1.00	0	6	6
	2.00	0	23	23
	3.00	3	22	25
	4.00	6	29	35
	5.00	11	27	38
	6.00	10	22	32
	7.00	6	18	24
	8.00	6	17	23
	9.00	18	22	40
	10.00	22	23	45
	11.00	10	8	18
	12.00	8	24	32
	13.00	4	11	15
	14.00	4	8	12
	15.00	2	12	14
	16.00	0	4	4
	17.00	1	3	4
	18.00	0	2	2
	19.00	2	9	11
	20.00	0	3	3
	21.00	3	2	5
Total		116	299	415

This table displays financial literacy scores categorised by gender, with scores ranging from 0 to 21. Below is a concise overview of essential findings:

The overall sample comprises 415 individuals, including 116 males and 299 females.

Distribution of Scores: The overall most common score is 10.00, achieved by 45 individuals, comprising 22 males and 23 females.

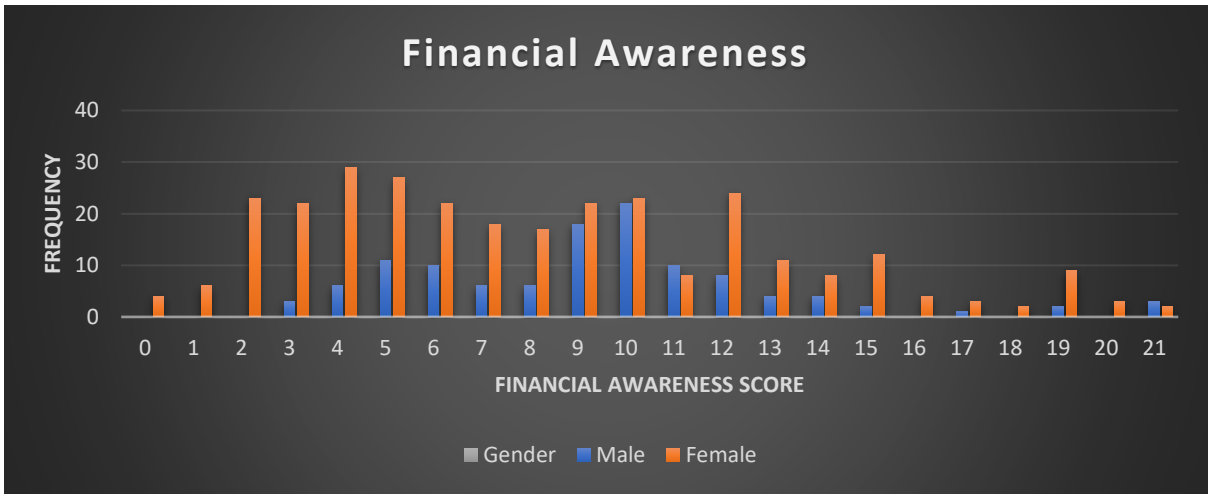
The peak score among males was 9.00, achieved by 18 individuals.

The highest number of individuals among females achieved a score of 10.00, totalling 23 individuals.

Score Range: The scores vary from 0 to 21, with males achieving a maximum score of 21.00 and females reaching up to 19.00.

Variations Between Genders:

Females generally group around scores from 2.00 to 12.00, whereas males show a more uniform distribution across the higher score ranges of 8.00 to 21.00. The count of males achieving the highest score (21.00) surpasses that of females.



Hypothesis Testing

1: There is no association between socioeconomic and demographic factors and financial literacy among college students.

To test the hypothesis univariate analysis of variance has been used. The findings of UNIANOVA are given below.

Pearson's Correlation

	Residence	Religion	Gender	Age	Education	Social Category	Family Nature	Family Income
Financial Awareness	-.242	-.144	.119	-.221	-0.065	0.062	.135	-0.082

Sig. (2-tailed)	0.000	0.003	0.016	0.000	0.186	0.206	0.006	0.097
N	400	400	400	400	400	400	400	400

The table indicates that many demographic characteristics are significantly correlated with financial knowledge. Residence, religion, and age exhibit negative associations, suggesting that persons from certain residential locales, distinct religious affiliations, and older age demographics generally possess low financial literacy. Conversely, gender and familial characteristics exhibit positive connections, indicating that a particular gender (presumably male or female) and family dynamics enhance financial awareness. Nonetheless, education, category, and family income exhibit negligible impacts, indicating that these variables are not robust predictors of financial awareness.

2: There is no association between financial literacy and education and subject discipline among college students.

Levene's Test of Equality of Error Variances[a,b]

		Levene Statistic	df1	df2	Sig.
Financial Awareness	Based on Mean	5.179	11	401	0.000
	Based on Median	4.539	11	401	0.000
	Based on Median and with adjusted df	4.539	11	307.189	0.000
	Based on trimmed mean	5.128	11	401	0.000

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.

a. Dependent variable: Awareness

b. Design: Intercept + Education + Subject Discipline + Education × Subject Discipline.

The data presented are derived from Levene's test, utilised to evaluate the assumption of homogeneity of variances.

Analysis of the results: -

The Null Hypothesis (H_0) posits that Levene's test evaluates the equality of variances of the dependent variable, Awareness, across several groups determined by characteristics such as Education and Study Field.

Levene's Statistic: The test statistic values are provided for the various methods: mean, median, median with adjusted degrees of freedom, and trimmed mean.
The Levene statistic is 5.179, as determined by the mean.

The p-value (Sig.) is below 0.001 for all calculations conducted. This indicates a substantial disparity in the variances of the groups, signifying a breach of the premise of equal variances. Interpretation: Given that the p-values are all below the conventional significance threshold (e.g., 0.05), one would reject the null hypothesis and infer that the error variances of Awareness are not uniform among the groups delineated by Education, Study Field, and their interaction.

Tests of Between-Subjects Effects

Dependent Variable: Financial Awareness						
	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	3.690[a]	13	0.284	7.051	0.000	0.186
Intercept	105.821	1	105.821	2628.481	0.000	0.868
Education	0.130	3	0.043	1.076	0.359	0.008
Subject Discipline	1.665	4	0.416	10.338	0.000	0.093
Education × Subject Discipline	0.977	6	0.163	4.044	0.001	0.057
Error	16.144	401	0.040			
Total	1078.884	415				
Corrected Total	19.834	414				

a. R Squared = .186 (Adjusted R Squared = .160)

This table displays the findings from a between-subjects ANOVA that investigates the influence of Education, Study Field, and their interaction (Education × Study Field) on the dependent variable, Awareness.

Revised Model:

The adjusted model shows significance ($F(13, 401) = 7.051$, $p < .001$), suggesting that the variables and their interactions account for a substantial amount of the variance in Financial Awareness.
A Partial Eta Squared value of 0.186 indicates that the model accounts for 18.6% of the variance in the dependent variable.

The intercept shows a high level of significance ($p < .001$), yet it does not provide direct insights into how the independent variables influence Awareness.

The impact of Education on Awareness is not substantial (F (3, 401) = 1.076, p = .359), indicating that variations in education levels do not meaningfully influence Awareness. The partial eta squared value is 0.008, suggesting that this factor accounts for less than 1% of the variance.

The influence of Subject Discipline on Financial Awareness is noteworthy (F(4, 401) = 10.338, p < .001), indicating that variations in fields of study have a substantial effect on Awareness.

The partial eta squared value is 0.093, suggesting that 9.3% of the variance in Awareness can be attributed to the field of study.

Education and Subject Discipline Interaction:

The relationship between Education and Study Field is noteworthy (F(6, 401) = 4.044, p =.001), suggesting that the joint influence of education and field of study on Awareness is statistically significant.
The partial eta squared value is 0.057, indicating that 5.7% of the variance in Awareness is accounted for.
The relationship between Study Field and Education, as well as their interaction, has a notable impact on Awareness. Education by itself does not have a substantial impact on Awareness.

3: There is no association between financial literacy and parents' education among college students.

To test the association between financial literacy and parents' education one way ANOVA has been applied. An ANOVA (Analysis of Variance) table is typically used to determine whether group means differ statistically significantly.

ANOVA

Financial Awareness					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.784	6	0.131	2.800	0.011
Within Groups	19.050	408	0.047		
Total	19.834	414			

Details of ANOVA Table:

Sum of Squares: Calculates the overall variance of the information.

Between Groups (0.784): Variation accounted for by group differences. Group-Within Variation (19.050): Variation within each group not explained by group distinctions.

Total (19.834): The sum of the within-group and between-group variations is the overall variation.

df, or degrees of freedom: Between Groups (6): Shows how many groups there are less one. The number of observations overall less the number of groups is called within groups (408). Total (414) is the total number of observations less one, or 408 + 6.

Average Square:
Between Groups (0.131): The product of the degrees of freedom (0.784 / 6) and the sum of squares between groups.

Within Groups (0.047): The product of the degrees of freedom within groups (19.050 / 408) and the sum of squares within groups.

The F-ratio, or F (2.800), is calculated by dividing the mean square within groups by the mean square across groups (0.131 / 0.047). This determines if there is a statistically significant difference in variance between group means compared to variance within groups. Sig. (0.011): The p-value, which indicates the statistical significance of the observed differences. We reject the null hypothesis since 0.011 is smaller than the alpha level of 0.05, indicating that there may be a statistically significant difference between the group means. According to the F-test, there is a statistically significant difference ($p = 0.011$) in the groups' financial awareness, indicating that parental education has statistically significant association in shaping financial literacy of college students.

Conclusion

This study highlights the importance of financial literacy among college students in Aurangabad district, Bihar, and higher scores the role of socioeconomic, educational, and parental factors in shaping financial knowledge. Social Category, Family Income and Education does not have any positive contribution of shaping financial literacy of college students but with negligible negative impact. However, female students are more financially literate than the male students. Proved statistically significant association of gender differences in financial literacy. Female students scored more than the male students. So far as the subject discipline of the college students, there is positive association between discipline of subjects and financial literacy. Financial literacy varies across the subject discipline. Parental Education has significant impact on financial literacy of college students. The more parents are educated the more students get financial awareness. This also indicates that parents' financial education

is also low. Interventions aimed at improving financial literacy should target students from rural areas, lower-income families. Moreover, parental involvement in financial education could be a key strategy for improving financial literacy in the Aurangabad District.

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