



Financial Awareness of The College Students in Rural Area – An Empirical Study

KEYWORDS

Financial Inclusion, Financial literacy, Financial education, Financial awareness

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ABSTRACT

The Government of India and Reserve bank of India have taken initiatives to spread banking services such as expanding the number of rural bank branches, allowing the banking correspondent model and spread financial literacy. While in implementing financial inclusion in a diversified country like India, Financial Literacy plays a pivotal role in the success of this great social initiative opportunity. Financial education, financial inclusion and financial stability are three elements of an integral strategy. While financial inclusion works from supply side of providing access to various financial services, financial education feeds the demand side by promoting awareness among the people regarding the needs and benefits of financial services offered by banks and other institutions. Going forward, these two strategies promote greater financial stability. An attempt has been made in this paper to study in detail the level of financial literacy amongst the College students of Manamadurai Taluk, Sivagangai District, Tamil Nadu.

INTRODUCTION

The Reserve Bank of India has undertaken a project titled "Project Financial Literacy". The Objective of the project is to disseminate information regarding the central bank and general banking concepts to various target groups, including, school and college going children, women, rural and urban poor, defence personnel and senior citizens.

The project has been designed to be implemented in two modules, one module in which Money Kumar will familiarise us with the role and functions of the Reserve Bank of India; and through the other module, Raju will introduce us to banking concepts.

Financial literacy is the ability to understand finance. More specifically, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions through their understanding of finances.

FOREIGN SCENARIO

Raising interest in personal finance is now a focus of state-run programs in countries including Australia, Japan, the United States, India and UK. The Organization for Economic Co-operation and Development (OECD) started an inter-governmental project in 2003 with the objective of providing ways to improve financial education and literacy standards through the development of common financial literacy principles. In March 2008, the OECD launched the International Gateway for Financial Education, which serves as a clearinghouse for financial education programs, information and research worldwide. In the UK, the alternative term "financial capability" is used by the state and its agencies: the Financial Services Authority (FSA) in the UK started a national strategy on financial capability in 2003. The US Government also established its Financial Literacy and Education Commission in 2003. In July 2010, the United States Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which created the Consumer Financial Protection Bureau (CFPB). The CFPB has been tasked, among other mandates, with promoting financial education through its Consumer Engagement & Education group.

INDIAN SCENARIO

In 2010, the Reserve Bank of India initiated a project on Fi-

ancial Literacy. The objective of the project is to disseminate information regarding the Central bank and general banking concepts to various target groups including school children, women, rural and urban poor, defence personnel and senior citizens. The project is designed in two modules – one on role and functions of RBI and one on banking concepts. The two comics are available for download. Teachers are expected to download the comics from the RBI website (http://www.rbi.org.in/financial_education/home.aspx) as well as involve the kids in visiting the website and utilizing all resources available for kids including games with a view to impart financial literacy to students of classes 6th and onwards. The department shall later organise block, district and state level competitions on financial literacy to raise awareness among the children.

INTRODUCTION

Post global financial crisis, Financial Literacy and Financial Inclusion has become a subject of considerable interest among policy makers, researchers and other stakeholders. This heightened interest reflects a better understanding of the importance of financial inclusion for economic as well as social development. Across the nations, both economically rich and fiscally poor, it is being increasingly recognized that access to financial services has a critical role in reducing extreme poverty, boosting shared prosperity, and supporting inclusive and sustainable development. Similarly, financial literacy is rapidly being recognized as a core skill, essential for consumers operating in an increasingly complex financial landscape. It is therefore no surprise that governments around the world are interested in finding effective approaches to improve the level of financial literacy amongst their population and that many are in the process of creating and implementing a national strategy for financial education to provide learning opportunities throughout a person's life.

India, a fast growing economy with focus on inclusive growth and a stable financial system, recognizes the need and has accordingly prepared the National Strategy for Financial Education (NSFE) under guidance of the Technical Group on Financial Inclusion and Financial Literacy of the Financial Stability and Development Council (FSDC), which would cater to all sections of the population in the country.

OBJECTIVES OF STUDY

1. Determine the level of financial knowledge of the College Students.
2. To analyse the money management skills possessed by the College Students.
3. To understand the challenges and goals the College Students have with financial matters.
4. To suggest measures so as to increase the Financial Literacy and awareness among the College Students.

RESEARCH METHODOLOGY

Descriptive research design is done. Survey method is followed. Data required for the study is obtained from both primary and secondary sources. Questionnaire was prepared based on existing literature on the components of Financial Literacy. Questionnaire was used to collect data from the respondents. The sampling unit is 100 College students in the age group of 17 to 22 belonging to different Departments of Science, Arts and Commerce Colleges in Manamadurai Taluk, Sivagangai District, Tamil Nadu. Interactions with the correspondents, Principals and Administrative Officers of these colleges are also utilized for the study.

FINANCIAL LITERACY

The OECD defines financial literacy as "A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well being." Financial literacy around the world is found to be low as measured by various studies including the OECD survey study carried out across 13 countries. In India, the levels of financial literacy are poor even by the low global standards, according to some studies such as the VISA International Financial Literacy Barometer 2012.

DATA ANALYSIS

- The age groups of the students who have answered the questionnaire are as follows.
- Majority of the students are in the band of 17 to 18 years. Least number of students that is only 9 are in the band of 21 to 22 years. The remaining 29 students belong to 19 to 20 years category
- Out of the 100 respondents: 50 students were from the Commerce faculties, 25 from Science faculty and 25 from Arts faculty.
- The Gender compositions of the students were 18 Females and 82 Males.
- The ways in which the students received or earned money in the past 6 months were as follows.
 - 18 Students earned money by doing a part time job.
 - 6 Students don't receive any money, and they are sponsored by Church.
 - 76 Students received money from their parents.
- The percentages of Money saved by the Students are as follows.
 - Don't save at all : 27 students;
 - 10% - 20% : 48 Students;
 - 20% - 30% : 22 Students;
 - Above 30%: 3 Students.
- The students were asked "Why You save money? The answers were –
 - to invest : 9 Students,
 - to spend later : 23 Students,
 - both save and spend : 62 Students,
 - unable to save: 4 Students.
- The amount of money received by students:
 - Less than 1000 Rs : 47 Students;

- 1000 - 3000 Rs : 39 Students;
- 3000 - 5000 Rs : 11 Students;
- 5000 - 10000 Rs : 2 Students;
- Above 10000 Rs: 1 Student.
- The financial products possessed by Students were as follows.
 - Savings Account : 72 Students
 - Fixed Account: 3 Students.
 - Credit Card: 2 Students.
 - Mutual Funds or Stocks: 5 Students.
 - Debit Card: 72 Students.
 - No Products: 28 Students.
- Out of 72 students who had savings account only 28 students had account before the age of 15 years, remaining 44 students opened savings accounts only after 18 years.
- On the question of describing personal finance skills students responded as follows.
 - I'm knowledgeable about managing money and make right decisions when it comes to spending it: 55 Students.
 - I want to manage money well but do not have proper information: 32 Students.
 - I know I'm not very good with my money, but I'm okay with that: 11 Students.
 - I know I'm not very good with money and it can be a source of stress to me: 2 Students.
- Out of the 100 students surveyed: 19 students rarely think of personal finances, 59 students think of personal finances from time to time and remaining 22 students think of personal finances all the time.
- On the question of rating the college, on how well it provides students with the information and skills that they need to learn more about managing personal finances are as follows.
- During the event of financial planning,
 - 73 students took advice from their families;
 - 19 students approached their teachers;
 - 10 students turned to friends for advice;
 - 15 students logged on to Internet for advice;
 - 15 Students approached financial institutions for advice.

FINANCIAL AWARENESS OF THE STUDENTS

- In the opinion 52% of total students, colleges do not provide for the information and skills needed by them to manage personal finances or they believe that colleges provide only the bare minimum information in that area.
- 61% of the science students and 73% of the arts faculty students are also of the above said opinion.
- Only 89% of the Commerce students are of the opinion that colleges do well enough for the development of their skills for financial literacy.
- 73% of the students turn to their families for advices pertaining to managing their finances. Of which 90% of the Arts students, 76% of Science students and 48% of the commerce students does the same.
- 57% of the commerce students even go in to teachers for advices to manage finances and very low of 4% science students take it from their teachers.
- 32% of the commerce students even take advices from their friends and 9% of science students and 7% of arts students also follow their friends' advice on managing finances.
- 69% of the commerce students also log on to internet for financial information and 24% of the Arts students also do the same.
- Only 15% of the total students approach a bank or a

financial institution for financial advice.

CONCLUSION

The financial knowledge amongst the arts, Science and Commerce College students in Manamadurai Taluk, Sivagangai District, Tamil Nadu, is poor as compared to the global standards. A large part of this is due to their rural background and can be attributed to the poor elementary and primary education system as documented in other studies. There should be more focus that needs to be done for increasing the financial literacy amongst all the students of different faculties as they are the future of the country. One question which was exclusively asked to commerce students regarding their attitude towards Financial Investment, as to if has it been changed positively after studying subjects related to finance in their curriculum, has found an overwhelming response of 98% as 'YES'. Hence it is very clear that a lot needs to be done under academics to enhance the financial literacy of the students. As India is on the verge of the journey to economic growth, the growth wouldn't be meaningful and real to the masses of country in the absence of complete Financial Literacy.

REFERENCE

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