

# A Study of Financial Literacy Among Management Students in Pune

Ms.Vaishali Rajendra Patil<sup>1</sup>, Ms. Ria Mathew<sup>2</sup>, Ms. Harsha Bhagtani<sup>3</sup>

<sup>1,2</sup> Assistant Professor, Dept of MBA

<sup>2,3</sup> Dept of MBA

<sup>1,2,3</sup> Sadhu Vaswani Institute of Management Studies for Girls  
6, Koregaon Road (Next to St. Mira's College) ,Pune-411001

**Abstract-** Financial literacy is the ability to use one's knowledge and skills to take effective and informed financial decisions. In today's world market with complicated products, the need for financial literacy becomes inevitable. The purpose of this research paper is to evaluate the level of financial literacy among the management students in Pune city. The research is based on both primary and secondary data. Questionnaire method is used to collect primary data from 128 management students of various MBA Institutes in Pune city and is based on Random Sampling Method. The research indicate that despite the education level of the respondents in the sample being high (the entire population being Master in Business Administration), that does not translate into adequate financial literacy. This is likely to be due to absence of inputs relevant to financial literacy in the general education process. This can be easily corrected. Given the emphasis on education in India, it is possible to enhance the financial literacy among youngsters relatively quickly through the inclusion of various financial education programs which provide financial knowledge relating to money, budgeting, investment, banking, savings, insurance, retirement planning and financial planning.

**Keywords-** Financial Literacy, Students, Business administration, education

## I. INTRODUCTION

Financial literacy is the combination of one's knowledge, skill and attitude towards financial matters. It helps to make informed decisions and well-being of an individual. In today's world market with complex products, the need for financial literacy becomes inevitable. Country like India which has high young population, the government is in a position to enhance the level of financial literacy. The government and other private institutions have taken steps through financial education programs which provide financial knowledge relating to money, budgeting, investment, insurance, banking, savings, retirement planning and financial planning. Financial Institutions like Indian Institute of

Finance, National Center of Financial Education, National Institute of Financial Management etc.

Financial literacy goes beyond provision of financial information and advice it is the ability to know, monitor and effectively use financial resources to enhance the well-being and economic security of an individual, his family, and his business.

The OECD defines financial literacy as –“A combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being.”

## II. LITERATURE REVIEW

Dr. J. Gajendra Naidu (2017) in his study asserted that the rapid growth in the Indian economy and expansion of the financial markets through liberalization, privatization and globalization has resulted in the overabundance of financial products in banking, investment and loan products. The study revealed that financial literacy in India is very low especially the women and youngsters and there is need to enhance the awareness about financial goods and services and thus improve the ability to make informed financial decisions.

Dilip Ambarkhane et al (2015) asserted that the low financial literacy among the young population has further resulted in malpractices and frauds in the financial sectors. In order to enhance the financial awareness, the basics of financial literacy should be introduced in schools and colleges which is vital for the financial well being of the individual as well as the economy as whole.

Sonia Marcolin , Anne Abraham (2006) have discussed that the need for financial literacy has become increasingly significant with the deregulation of financial markets and the easier access to credit; the ready issue of credit cards; the rapid growth in marketing financial products and the Government's encouragement for its citizens to take more self-responsibility for their retirement incomes.

M. Gowri (2014) in her research paper found that financial literacy is a issue of global concern. It was revealed that financial literacy depends upon the age, region or country in which the individual resides, the financial environment which he experiences, the level of income socio demographic factors like his family, number of dependents, mother's education, financial advice etc. The level of financial literacy required depends upon the financial needs and behaviour of an individual.

### III. OBJECTIVES OF THE STUDY

The objectives of the present study are as follows:

1. To study the level of financial literacy among the management students.
2. To analyze the areas where they lack financial knowledge.
3. To suggest measures to improve financial literacy among the management students.

### IV. SAMPLE AND METHOD

This study follows the descriptive research design. The survey method of data was implemented to gather the primary data. The structured questionnaire was adopted to accumulate the primary data from the sample of 128 management students studying in various MBA colleges in Pune. The questionnaire was administered personally as well as through electronic medium (i.e. web based survey). The population of the study included the students studying in various management colleges situated in Pune. The respondents included the students of first year as well as second year from various specializations and were selected using Random Sampling method. Secondary data were obtained through published research papers, journals and articles to gain insight pertaining to the topic.

The Table 1 summarizes the demographic profile of the respondents; 68.75% of the respondents were aged up to 24 years; 15.63% of the respondents belonged to the age group of 24-26 years; 9.37% of the respondents belonged to the age group of 26-28 years and few respondents (6.25%) were in the age group of 28-30 years. The majority of the respondents were in the age group of 22- 24 yrs while 15.63% were in the age group 24-26 years, 9.37% were in the age group of 26-28 years and 6.25% were in the age group of 28-30 years.

**Table 1. Sample Distribution (Age Wise Classification of the Respondents)**

Particulars	Frequency	Percentage (%)
<b>Gender</b>		
Male	56	43.75
Female	72	56.25
<b>Age Group</b>		
Up to 24 years	88	68.75
24-26 years	20	15.63
26-28 years	12	9.37
28-30 years	8	6.25

### V. RESULTS & DISCUSSION

The analysis part of the research paper has application of statistical tool namely, percentage method; which was used to explore the financial literacy among the Management Students pursuing MBA from various institutes in Pune.

- Figure 1 presents that 90.6% of the respondents were aware of the concept of Initial Public Offerings while 9.4% respondents still don't know about IPO.
- Figure 2 demonstrates that 79.7% respondents know that NSE is situated in Mumbai and 20.3% respondents are still not aware of location NSE.
- Figure 3 depicts that 85.9% of the respondents know the calculation of interest on savings account while 14.1% don't know the correct calculation.
- Figure 4 presents that 81% of the respondents are updated and know the new RBI governor and 19% respondents are still not updated of new RBI Governor.
- Figure 5 shows that 59.4% of the respondents know about the Current minister of Commerce and Industry and 40.6% respondents don't know the current minister of Commerce and Industry.
- Figure 6 revealed that regarding amount provided by NITI Aayog only 57.8% of the respondents know that NITI Aayog provides 5 Lakhs to encourage digital payment system in a district and 42.2% respondents were not aware of this.
- Figure 7 depicts that in case of regulator of Insurance Sector in India 84.4% respondents are aware of IRDA and 15.6% are still not aware of this.
- Figure 8 shows that 79.7% of the respondents expanded the term IFRS correctly as International Financial Reporting Standards while 15.6% respondents are still confused and didn't answer correctly.
- Figure 9 reveals that 70.3% respondents are aware of the concept of ESOP while 29.7% respondents are not clear about ESOP.

- Figure 10 presents that in case of maximum number of shareholders in private Ltd. Company 51.6% respondents are correct in their answer and 48.4% respondents don't know the limit.
- Figure 11 shows that 58.50% of the respondents know about the minimum deposit in a PPF account and 41.5% respondents don't know the minimum deposit of PPF account.
- Figure 12 reveals that only 43.10% of the respondents are aware of the meaning of arbitrage.
- Figure 13 presents that only 53.80% of the respondents know the meaning of Assumable Mortgage and 46.2% respondents don't know the correct meaning of Assumable Mortgage.
- Figure 14 depicts that 58.50% of the respondents answered ARM as Adjustable Rate Mortgage and 41.5% respondents still don't know the full form of ARM.
- Figure 15 show that 55.40% of the respondents know the meaning of Bear Market.
- Figure 16 reveals that 72.30% respondents know the meaning of Bridge loan while 27.7% of the respondents were unable to give the correct answer.
- Figure 17 presents that 90% respondents know the correct meaning of arbitrage and only 10% respondents were not aware of Appreciation.
- Figure 18 shows 84.60% of the respondents were aware of different types of investment instruments and only 15.4% respondents were not aware of the types of investment instrument.

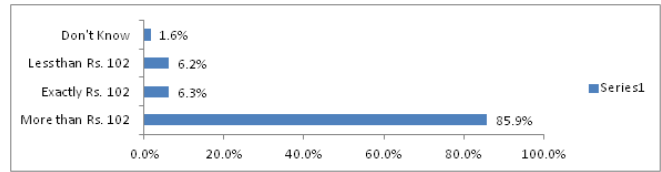


Figure 3: Calculation of Simple Interest

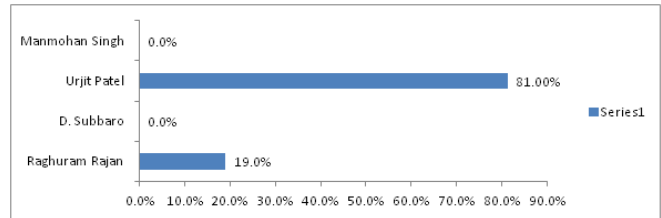


Figure 4: Current RBI Governor

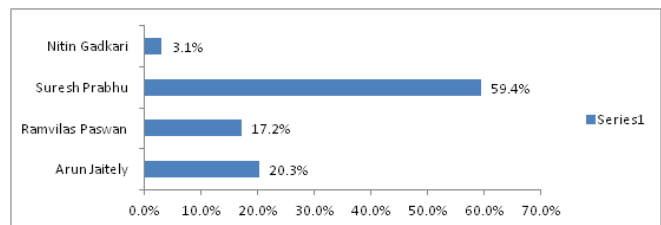


Figure 5: Current Minister of Commerce & Industry

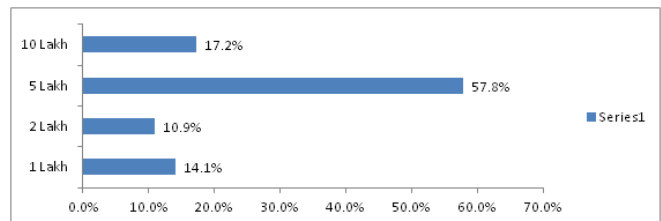


Figure 6: NITI Aayog & Digital Payment System

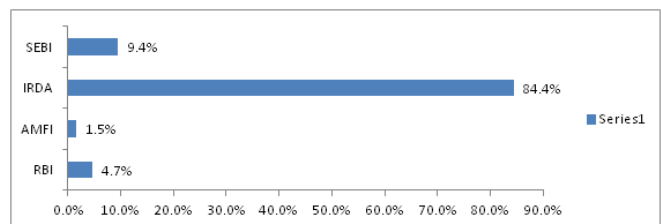


Figure 7: Regulating Authority of Insurance Sector

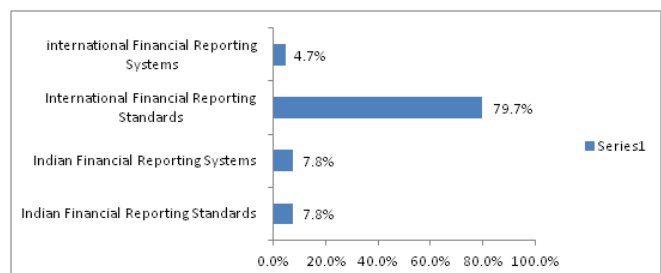


Figure 8: IFRS

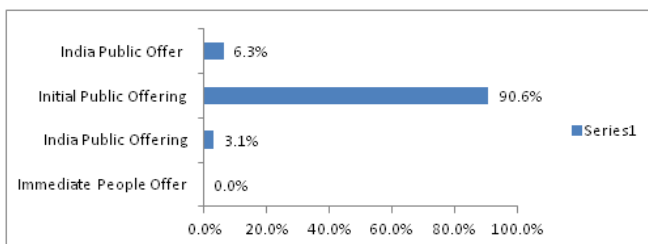


Figure 1: IPO

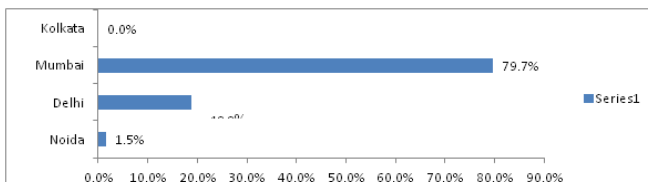


Figure 2: Location of NSE

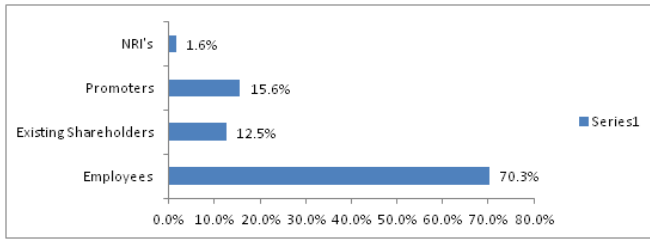


Figure 2: Concept of ESOP

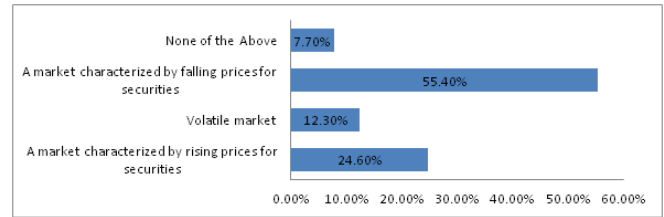


Figure 5: Concept of Bear Market

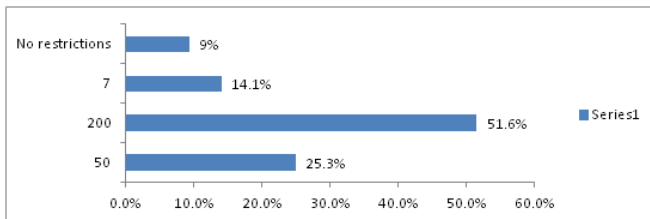


Figure 3: Shareholders in Private Ltd. Company

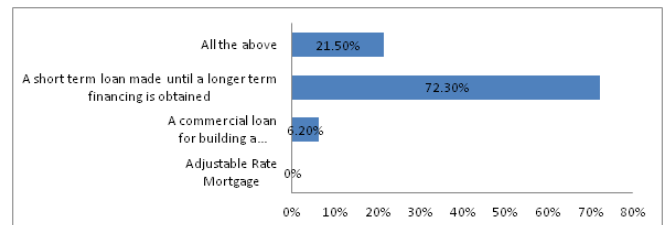


Figure 66: Concept of Bridge Loan

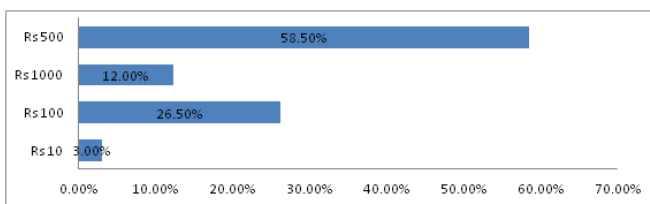


Figure 4: Minimum Deposit in EPF Account

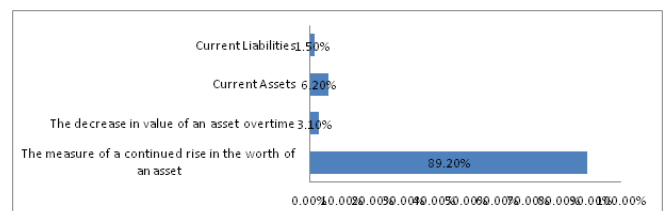


Figure 77: Meaning of Appreciation

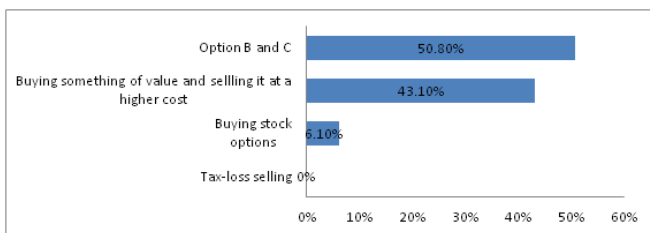


Figure 12 : Concept of Arbitrage

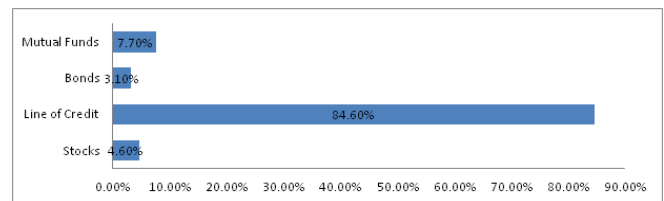


Figure 88: Example of Investment Instrument

VI. CONCLUSION

Despite the education levels of the respondents in the sample being high (the entire population being Master in Business Administration), that does not translate into adequate financial literacy. This is likely to be due to absence of inputs relevant to financial literacy in the general education process. This can be easily corrected. Given the emphasis on education in India, it should be possible to enhance the financial literacy of youngsters relatively quickly through inclusion of relevant material on financial literacy in the general education program of schools and colleges. The study demonstrates the importance of contextual variables that may influence financial literacy.

The findings of poor financial literacy and financial outcomes have prompted a serious review of existing financial education programs and launch of new programs

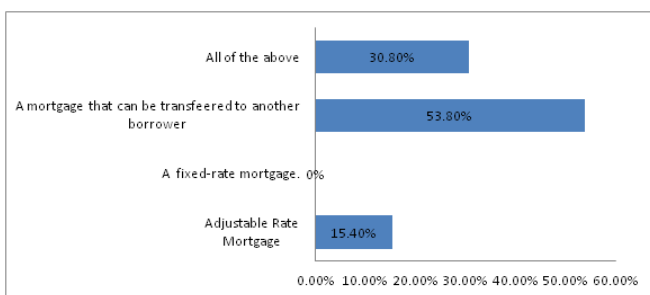


Figure 13 : Concept of Assumable Mortgage

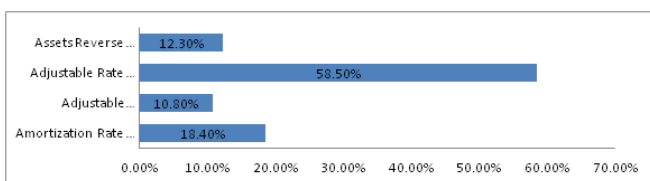


Figure 14: ARM

A properly designed educational program increases the financial product recognition level of students. The responses given to monetary statements do not vary with respect to financial literacy level. This fact points out that financial literacy level does not create a significant difference in the respondents' attitudes to these statements. This finding indicates the dimension of the educational program which should be supported. This point indicates another dimension of the educational program which should be supported.

#### REFERENCES

- [1] Dilip Ambarkhane\*, B. V. (2015). Financial Literacy Index for College Students. *Symbiosis Centre for Management Studies, Pune Annual Research Journal of Symbiosis Centre for Management Studies, Pune*, 1-25.
- [2] Gowri, M. (2014). *A STUDY ON FINANCIAL LITERACY AMONG YOUNG EMPLOYEES IN COIMBATORE CITY*. Retrieved from <http://www.grgsms.ac.in/wp-content/uploads/2014/03/Gowri-WP-201403001>.
- [3] Naidu, D. J. (2017). Financial Literacy in India: A Review of Literature. *International Journal of Research in Business Studies and Management*, Volume 4, Issue 6, 2017 . ISSN 2394-5923 (Print) & ISSN 2394-5931 (Online) , 30-32.
- [4] Sonia Marcolin, A. A. (2006). Financial literacy research: current literature and future opportunities. *Proceedings of the 3rd International Conference on Contemporary Business, Leura NSW, 21-22 September 2006.*, 2-11.