

# Assessing Financial Literacy among Indian University Students

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## Abstract

*The research investigates Indian university students' financial literacy levels and evaluates how financial experience and student characteristics impact their literacy knowledge. The study confirms inadequate financial literacy among students after educational promotion programs while showing many students fall short in important financial concepts. These literacies in finance remain below average due to two main factors: students not taking finance courses and a lack of finance exposure in their studies combined with demographic traits such as gender and major or industry experience. Descriptive and explanatory studies were used to examine information gathered from primary sources. Primary data from undergraduate students at four public universities in India in 2022 and 2023 were used in the study. The financial literacy skills of the students were determined by calculating the mean percentage of right answers for every question, section, and survey in total. To look into differences even more, analysis of variance (ANOVA), cross-tabulations, independent t-tests, and logistic regression were used. Chi-square tests and cross-tabulations were used to evaluate the statistical significance of the influence of financial literacy on individual beliefs, choices, and behaviors. Microsoft Excel and SPSS were used for statistical analysis to extract knowledge from the gathered data. Students must learn integrated finance lessons and experience real financial challenges through practical application of responsible financial management according to findings in the study.*

**Keywords:** Financial Literacy, Financial Exposure, Financial Education, Financial Problems

## Introduction

Understanding financial concepts alongside their interpretation and application for daily life belongs to the definition of financial literacy. Through financial competency people acquire skills to manage their daily financial requirements that include understanding prices and negotiating effectively and interpreting financial terminology together with making sound decisions. People can build wealth from money after learning financial literacy which maintains connections with personal life and emotional aspects as well as social life and economic achievement and career goals. This ability helps people handle important changes in life effectively. The financial environment has become significantly complex since (Vitt et al.) documented its transition from past periods. During previous periods knowing how to manage bank accounts was plenty but now the intricate financial systems need deep knowledge. Multiple studies have included financial literacy among essential topics they recommend making primary in personal finance education. Financial literacy functions as a fundamental

tool across these three key aspects of economic deregulation technological progress and globalization. The success of economic objectives depends on improved financial literacy which policymakers together with decision-makers strongly support.

More Indian university students currently experience their initial opportunity to handle their own finances. This stage marks their transformation into valuable consumers since they handle their money with assistance from family and governmental resources while picking from diverse opportunities. The decision-making process of these children pertains to their financial knowledge since they reside separately from their parents. The evaluation of financial literacy allows researchers to gain insight into the financial behaviors alongside beliefs, knowledge about money management and decision-making capabilities of individuals. Individuals need first exposure to financial concepts in order to develop sound financial decisions which will serve them throughout their lifetime. Financial literacy teaches individuals how to manage money properly thus they simultaneously care for both their own well-being and the future generation and their local community.

The attainment of financial literacy helps consumers both improve their market judgments and strengthens their political engagement with businesses and governments to achieve better quality products and services along with market integrity. People who possess financial knowledge can manage financial matters aptly while supporting fair market protocols. The significance of financial literacy has increased due to market deregulation and expanded credit accessibility and newly developed financial products. This research aims to assess how Indian universities students are financially literate.

## **Objective**

This study's main goal is to investigate financial literacy among Indian university students.

## **Methodology**

### **Research Design**

A descriptive and explanatory research method operated within the study to analyze financial

literacy skills among Indian university students. The research method targeted the collection of primary information to study student financial knowledge together with their decision skills and attitudes toward personal finances. Respondents accessed the online Google Forms survey to provide their data through a wide-reaching platform. The researchers combined qualitative and quantitative methods to completely examine financial literacy levels among university students.

### **Sampling Method**

The researcher limited their selection to a representative sample because of time-related factors and budget constraints and convenience barriers. The research examined undergraduate students residing at four Indian public educational institutions including Assam Don Bosco University, University of Kerala and Annamalai University in Tamil Nadu and Delhi University. Our sample variety selection required us to implement stratified random sampling. The academic period stratification method included first and second year students and third year students to achieve balanced student representation.

### **Data Collection Instrument**

A structured questionnaire was designed to evaluate students' financial literacy levels. The questionnaire was divided into following sections:

**Demographic Information:** Gender, age, year of study

**Financial Knowledge:** Questions assessing understanding of financial concepts such as time value of money, inflation, interest rates, and investment principles.

**Financial Behavior:** Questions related to budgeting, saving habits, debt management, and financial planning.

**Financial Decision-Making:** Evaluation of confidence in making financial decisions, investment choices, and risk assessment.

**Insurance Awareness:** Understanding of different types of insurance policies and their benefits.

For attitude-based questions, a Likert scale (ranging from Strongly Disagree to Strongly Agree) was employed, while knowledge and behaviour were assessed using multiple-choice and open-ended questions.

### ***Data Analysis Techniques***

A valuable analysis of the collected data occurred through Microsoft Excel and SPSS platforms. Various statistical approaches were used. Responses were summarised using descriptive statistics such as the mean, standard deviation, and percentage distribution. Chi-Square Tests and Cross-Tabulations were used to investigate the correlations between demographic characteristics and financial literacy levels. Analysis of Variance (ANOVA) was used to investigate differences in financial literacy ratings between academic years and disciplines. Independent t-tests were used to compare the levels of financial literacy among business and non-business students, as well as male and female respondents. Binary Logistic Regression Modelling was performed to identify the important explanatory variables influencing financial literacy.

### ***Reliability and Validity***

Cronbach's Alpha was employed to examine the questionnaire's internal consistency. Before collecting large amounts of data, a pilot study was carried out with a small group of students to fine-tune the questionnaire. Construct validity was assessed by comparing the questionnaire to existing financial literacy frameworks, such as the OECD/INFE Financial Literacy Measurement.

### ***Literature Review***

A person must understand fundamental financial knowledge and mastering specific competencies to create useful financial choices which foster financial security as well as personal satisfaction. Financial literacy exists when a person comprehends foundational financial methods which include borrowing money and spending as well as investing money and creating savings. (Faidah) discovered that student conduct shows a significant relationship with financial knowledge. Student investment decisions heavily rely on their level of financial literacy expertise. Financial literacy includes cash budgeting as its essential component because this approach helps in planning how funds will be moved to avoid spending money unnecessarily.

(Aung and Mon) demonstrate that proper financial budgeting assists people in creating better financial habits. Proper resource management

enables people to minimize their chances of making negative financial choices. People need solid financial education because it enables them to make suitable financial decisions that affect their budgeting particularly when studying in college. The authors (Aung and Mon) found sufficient evidence that many students at Yangon University of Economics lack financial management skills resulting from their inability to practice proper budgeting practices.

The modern art of investing remains a regulated method for planned resource distribution that produces future value gains (Ibekwe and Oli). This strategy contains built-in risks specifically when applied to student populations under 18 years old. The likelihood of getting tempted by fake investment schemes becomes higher for students who push themselves to pursue money beyond reason or want immediate income without effort. Financial literacy represents according to (Atkinson and Messy) the combination of personal awareness and necessary knowledge and practical skills with appropriate attitudes and behavioral patterns for personal welfare and making solid financial decisions. Vitt et al. define financial literacy as the capability to understand financial matters while analyzing them and managing these concerns plus communicating them effectively for personal material welfare needs. A person who possesses financial literacy has the capability to develop future forecasts while making wise money choices in addition to expressing monetary understanding clearly and addressing financial repercussions of major life events affecting regular spending habits.

Financial consumers in OECD and non-OECD nations show inadequate financial literacy along with inflated assessments of their financial capabilities which prevents them from making appropriate financial decisions (OECD). According to (Lusardi and Mitchell), their macroeconomic perspective increased financial knowledge among citizens enable them to tackle regular financial matters and transactions in market transactions. People who make improved financial decisions because of their financial literacy develop higher quality social well-being.

(Beal and Delpachitra) demonstrated that Australian students participated in these assessments

at a lower level regarding financial literacy. Individual investors from the UAE who take part in regional financial markets displayed improved financial awareness according to findings obtained from (Al-Tamimi and Kalli) through their survey. The research showed that investor financial literacy levels in the United Arab Emirates rested below the necessary standard while demonstrating associations with occupation status and educational background together with income scope. Results showed that the training program increased financial literacy skills of the pupils.

### Analysis and Interpretation

The research relied on 354 questionnaires distributed to students from four Indian universities with 332 of them completing and undergoing analysis for this section. The methodology designs the sample selection by following representative criteria for Indian university students. Research participants included undergraduate students spanning first to third year at different departments with both business and non-business majors.

The survey included 52 percent male participants while 48 percent of the participants were female. The researcher actively gathered data to establish a sample which eliminated any gender bias even though male students outnumber female students at the university. The study design implemented a balanced gender split using gender as an analytical variable that enabled equal assessment of reading abilities. The research team effectively spread participating students among the first, second and third academic levels at 30.5%, 35.5% and 34% respectively. Data spread across academic years indicates an equal distribution of responses was obtained in the study.

**Table 1 Age of the Respondents**

Category	Subcategory	Percentage (%)
Age Group	17-19 years	52.4%
	20-24 years	47.6%

The respondents' ages range from 17 to 24 years old, with 52.4% of them being between the ages of 17 and 19 and the remaining 47.6% being between the ages of 20 and 24. This implies that the study sample's demographic is primarily young.

**Table 2 Respondents General Finance Knowledge**

Question	Correct Response (%)	Incorrect Response (%)	Don't Know (%)
Impact of personal money on life	62.6%	30.3%	8.1%
Components of personal financial planning	41.1%	51.7%	7.2%
Benefits of personal budgeting	46.5%	51.4%	2.1%
Identification of liquid assets	45.7%	52.4%	1.8%
Net worth calculation	49.9%	48.8%	1.3%
Effect of inflation on savings	45.3%	53.9%	0.8%
Mean Correct Response Rate	< 50% (except financial literacy question at 62%)		

**Source:** Primary data

Out of the respondents, 62.6% declared personal money impacts their life and 30.3% disagreed while 8.1% were unsure. The statement demonstrates that most survey respondents recognize the value of personal financial literacy knowledge. Research shows that 41.1% of survey participants replied with accurate definitions of personal financial planning while 51.7% provided incorrect definitions and 7.2% of respondents expressed ignorance about the matter. The correct answers for personal budgeting advantages came from 46.5% of participants but 51.4% got it wrong and 2.1% lacked knowledge. The understanding of liquid assets was limited among participants because only 45.7% managed to identify them correctly while 52.4% provided an incorrect response along with 1.8% who remained uncertain. The survey showed that 49.9% of students provided the correct method to calculate net worth through assets while 48.8% gave incorrect answers and 1.3% stated they did not know. The data indicates that most pupils lack ability to assess the net value of assets.

From table 3, the question about income interest from different accounts received correct answers from 44.8% of participants yet 54.7% answered

wrong and only 0.5% declared ignorance. Half of the participants gave the right answer but almost half of them provided the wrong answer while one and a half percent selected do not know as their response when asked about loan guarantee consequences. A significant 54.2% of respondents displayed incorrect understanding about loan guarantees based on their responses. The participants answered compound interest accurately to a degree of 44.8% but most chose incorrectly at 53.7% while 1.5% selected the Don't Know option. Almost half of all respondents (53.7%) provided incorrect answers when asked about interest rates between simple and compound interest. The same percentage failed to understand how a higher interest rate would appear in borrowing sources.

**Table 3 Understood the Principles of Borrowing and Saving**

Question	Correct Response	Incorrect Response	Don't Know
Highest interest-earning financial account	44.8%	54.7%	0.5%
Consequences of loan guarantee	51.0%	47.5%	1.5%
Future value calculation (simple interest)	45.2%	52.2%	2.6%
Compound interest calculation	44.8%	53.7%	1.5%
Higher interest rate sources	43.2%	53.7%	3.1%

Source: Primary data

**Table 4 Respondents Knowledge in Investment Arena**

Investment Concept	Correct Response	Incorrect Response	Don't Know
Identification of a short-term investment	45.8%	52.0%	2.2%
Knowledge of mutual funds/collective investment	51.0%	46.2%	2.8%
Understanding of diversification	45.5%	55.5%	

Source: Primary data

The primary question asked to determine a particular kind of short-term investment. About half of the participants (45.8%) provided a correct

response to the particular investment question but 52% gave an incorrect response and 2.2% remained uncertain about this topic. Students represented more than half of the total population who do not possess knowledge about short-term investment alternatives. The results show that only 45.5% of respondents answered correctly to this question regarding diversity but 55.6% provided an incorrect response.

**Table 5 Understanding of Insurance Principles and Various Insurance Product Types**

Question	Correct Response	Incorrect Response	Don't Know
Auto insurance premium determination	57.9%	40.3%	1.8%
Primary motivation for purchasing insurance	41.2%	57.1%	1.7%
Type of insurance covering during theft	44.5%	52.9%	2.6%
Extent of health insurance coverage	45.1%	52.1%	2.8%
Life insurance product awareness	50%	47.9%	2.1%
Higher insurance cost: wood vs. brick house	44.2%	54.2%	1.6%
Extent of third-party insurance	54.5%	44.2%	1.3%

Source: Primary data

According to Table most participants provided an accurate answer (57.9%) while others provided an incorrect response (40.3%), and 1.8% reported they did not know. Most of the participants demonstrate an average level of clarity about the factors that determine auto insurance premiums. The majority of respondents answered correctly regarding their main reason to buy auto insurance demonstrating a 41.2% correct response rate and 57.1% incorrect response rate and 1.7% case of non-disclosure. The survey results demonstrate that public college students in India display a poor comprehension as only 41% provided the correct answer. A survey revealed that about half of the students (44.5%) answered correctly regarding which insurance policy covers stolen vehicle replacement while the other half (52.9%) provided an incorrect response but 2.6% were unsure of the answer. Most participants showed minimal knowledge about this form of insurance since their responses were incorrect.



Respondents demonstrated moderate understanding of health insurance extent by answering correctly for 45.1 percent of the group while 52.1 percent made incorrect responses and 2.8 percent indicated they were uncertain. The majority of participants show unfamiliarity toward the benefits along with purchasing reasons that health insurance provides. Among the respondents 50% provided accurate answers regarding life insurance products but false answers came from 47.9% while 2.1% selected “don’t know” response. More than half of the surveyed participants displayed ignorance regarding life insurance products. A significant proportion of 44.2% gave the correct answer regarding home insurance costs between wood houses and brick houses yet 54.2% provided the wrong response along with 1.6% who selected don’t know. The findings show that 54.5% of survey participants provided a precise answer to the third-party insurance coverage extent whereas 44.2% received it incorrect and 1.3% selected the response option “don’t know.” The survey indicates that almost half of the respondents understand the amount of third-party coverage.

The majority of participants display average understanding when it comes to auto insurance premiums but their knowledge of insurance goals remains minimal. Few participants possess sufficient understanding of theft-related insurance. Most participants lack knowledge regarding health insurance benefits while more than half the participants are unaware of life insurance options.

**Table 6 Financial Literacy and Gender**

Financial Literacy Category	Respondents	
	Male (%)	Female (%)
General Financial Knowledge	50.8	46.1
Borrowing and Saving Knowledge	49.1	43.4
Investment Knowledge	47.9	44.7
Insurance Knowledge	44.7	45.2
Total Average Score	49.8	44.8

Source: Primary data

The average performance gap between male and female students in all four financial literacy categories reached 5.2 percent which demonstrates higher male student success. The total average score data revealed male students excelled over female

students because males posted an average 5.2% higher rating than females across all four financial aspects. On average male test-takers obtained results 5.3 percentage points above female test-takers across every assessment category.

**Table 7 Financial Literacy and Year of Study**

Financial Literacy Category	First Year (%)	Second Year (%)	Third Year (%)
General Financial Knowledge	39.7	47.0	60.0
Borrowing and Saving Knowledge	37.4	44.9	56.2
Investment Knowledge	37.6	44.8	56.4
Insurance Knowledge	43.1	46.3	55.0
Overall Mean Score	39.4	45.7	56.9

Source: Primary data

Students in their first year at college obtained average percentages answering correctly at 39.7% in general knowledge while their performance was 37.4% in saving and borrowing and 37.6% in investments and 43.1% in insurance practices. The scores obtained by second-year students from general knowledge, savings and borrowing, investments, and insurance were ranked as 47% and 44.9% and 44.8% and 46.3%. The third-year students achieved test scores of 60% for general knowledge along with 56.2% for savings/borrowing and 56.4% and 55% for investments and insurance respectively.

#### Analysis of Mean differences using independent t-test

Research analyzed the score differences and F statistics in General Finance Knowledge, Savings and Borrowing, Investment, Insurance, and overall financial literacy through independent t-test findings. Several student and financial exposure factors revealed noticeable differences in students’ performance according to the analysis of accurate response results despite their routine low financial literacy levels. The mean score differences between male and female students in their general financial education and their saving and borrowing behaviors and investing habits and insurance practices and total financial literacy were -0.24652, -0.50763, -0.26211, -0.41450, and -1.36332.

## Analysis of Mean differences using one way ANOVA

**Table 8 Using one way ANOVA Financial Literacy Mean Score Differences by Academic Year**

Comparison	General Finance Knowledge	Savings & Borrowing	Investment	Insurance	Overall Financial Literacy
First-Year vs. Second-Year	-0.42108	-0.54637	-0.45210	-0.18843	-1.5143
First-Year vs. Third-Year	-1.34574	-1.34812	-1.12218	-0.69566	-3.31552
Second-Year vs. Third-Year	-0.93485	-0.68172	-0.45788	-0.48833	-1.6944

**Source:** Primary Data

The evaluation of mean differences and F-statistics between scores in general finance knowledge, insurance, investments, savings and borrowing and general financial literacy served as the goal of the independent t-test results. The analysis reveals substantial differences in financial literacy scores between first-year and second-year students as well as between first-year and third-year students despite students demonstrating primarily inadequate financial literacy. Overall measures revealed first-year-second-year score dissimilarities of -0.42108, -0.54637, -0.45210, -0.18843, and -1.5143 whereas first-year-third-year corresponded to -1.34574, -1.34812, -1.12218, -0.69566, and -3.31552. Third-year-second-year score comparisons showed -0.93485, The mean score variances between first-year students and third-year students amounted to -1.34574, -1.34812, -1.12218, -0.69566, -3.31552. Students scored lower in all related categories from their second to their third academic year by -0.93485, -0.68172, -0.45788, -0.48833, and -1.6944 points.

### Summary of the Findings

Survey results revealed that Indian university students demonstrated insufficient financial capability resulting in a 45.2% success rate within financial knowledge along with savings and borrowing and investment and insurance domains. The survey shows that financial literacy was absent in most participants (77.9%) yet only 4.7% showed complete comprehension. Students with inadequate formal financial education which especially affects non-business programs increase the financial competency gap.

Male students demonstrate superior financial literacy compared to female students because their lives have involved increased financial decision-making experiences. The research data shows

students have inadequate understanding of core financial topics including inflation alongside the risk-return balance as well as investment approaches thus demanding specially designed educational programs. Higher financial training leads to improved money management skills because the two factors maintain a positive connection. Thus educating students about finances creates better spending patterns and monetary outcomes.

### Limitations of the Study

This research provides important data about financial literacy of Indian university students but several negative aspects need resolution. The research examines students from four public universities in India without providing data about financial literacy levels of students in private institutions and technical colleges along with other academic populations. The information was collected through self-reports but bias has the potential to enter the data. The students might present their financial understanding incorrectly due to making incorrect assumptions about their abilities during data collection. This can generate faulty information. The research specifically examines students who study at university and disregards other young adults who are deciding crucial financial matters even though they are not in higher education. The research provides results about financial literacy knowledge at a particular survey date. Financial literature research conducted by the survey primarily addresses fundamental aspects of savings and investments and borrowing and insurance but fails to examine essential advanced financial concepts including taxation planning and retirement preparation along with stock trading knowledge for long-term financial security. The data collection system through Google Forms fails to include certain students because they lack experience

with online surveys or do not have reliable internet access which affects the overall representativeness of the sample. The study creates valuable groundwork to understand Indian university students' financial literacy through its limitations which show the need for specific educational programs to boost students' financial choice capability. Further research can address these problems by using larger samples while combining qualitative methods with valid factors that impact financial literacy knowledge

## Conclusion

The research outcomes demonstrate that financial awareness stands as an essential problem in Indian higher education student bodies. The research shows that despite ongoing educational initiatives students show low average financial capabilities because many student Academic institutions need to establish curricula that solve existing gaps in financial education.

Various elements exist that explain why financial literacy appears lacking. Due to insufficient financial course instruction students face two major barriers since they do not learn finance in classes unrelated to business and do not receive necessary financial concept exposure. Actual financial competencies of students can be determined by examining their gender composition and academic year alongside other demographic features.

Future intervention strategies must be implemented specifically to enhance the financial education levels of university students. Stakeholders should use demographic information together with educational programs to teach students financial literacy skills which let them handle current financial market complexities and make better financial choices.

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