Assessing the Impact of Socio-Demographic Factors on Financial Literacy of PG Management students in Hyderabad

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ABSTRACT

Financial literacy is the core of the future economic development of the individual. Knowledge in finance, attitude and behaviour are the three pillars of literacy in finance. Particularly in the liberalised economic environment, many financial opportunities are available that need adequate financial knowledge to improve individuals' financial prosperity and well-being. This study aims to understand financial literacy levels and to know the impact of demographic features such as gender, age, education, earnings, family education on financial literacy. A structured questionnaire is adopted to collect primary data from PG Management students in Hyderabad, divided into two sections, such as socio-demographic and literacy factors. Statistical tools such as descriptive analysis, regression, correlation, cross-tabulation, and Chi-squared test used for this study. The investigation revealed that PG management students' financial literacy is low (33%), while male students' literacy is higher than female. There is no or low impact of socio-demographic factors on literacy in finance except for gender.

Keywords
Financial Literacy, Financial Knowledge, Financial Attitude, Financial Behaviour and Socio-Demographic factors

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Introduction

The major obstacle faced by countries all over the world is low literacy in finance. It is the grouping of information, familiarity, ability, approach and behaviour about finance. It promotes proper and appropriate financial decisions for the well-being of the public. In today's market-led economy, corporate entities are launching complex and complicated financial products; hence, the need for financial literacy becomes imminent. Notably, developing countries like India have a high young population. The central and state governments and regulatory agencies like Reserve Bank of India(RBI) have initiated actions to enhance public financial literacy levels through financial education programs.

Financial literacy is not just providing financial information and advice either directly or indirectly to the general public. It should enable the individual to know, efficiently use, and monitor financial information for economic benefit and welfare of self or family.

There are many definitions of financial literacy, but the OECD defined it as –a combination of awareness, acquaintance, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being.

Literacy in finance primarily relating to improving financial information for future retirement life financial planning, the gradual accumulation of wealth, and enhanced financial decision-making to enhance individual wealth and well-being, thereby contributing to economic growth. So, from the early stages of one's career, being financially literate becomes essential. Specific individuals' difficulties in their personal or professional life made them acquire some financial knowledge that is not adequate. It leads to inadequate information about financial dealings, leading to wrong financial decisions, thereby losing wealth and welfare. There are many instances where the public made investments in chit funds and sock markets with insufficient knowledge about these investments made them lose crores of rupees. Therefore, there is a need to enhance finance learning and apply financial tools to make better decisions. In any economy, promoting financial inclusion brings financial stability, and it has an impact on literacy in finance. Hence, the need arises to improve literacy in finance among India's people, as much of the population excluded financially from the formal financial world.

Studies have been undertaken worldwide to assess the percentage of literacy in finance among the general public. Many countries' governments have conducted surveys on Financial literacy to determine the literacy rate in finance to initiate improvements. Surveys have shown a low level of literacy in finance in their countries. This paper focuses on financial literacy levels among PG management students and understanding the relationship between socio-demographic variables and financial literacy.

Need for the Study

In this twenty-first century, companies issue sophisticated and complex financial products. In contrast, consumers with inadequate knowledge in finance, expertise, and lack of financial information make them face financial difficulties and challenges, which is why the need for financial literacy today is noteworthy. Knowledge levels in finance and ability changes from person to person. Apart from family background, parent education levels, and income and locations, the gender gap may also help determine finance literacy. In a woman's life, family, money, and emotions are intertwined while women decision on financial matters determined by their personal life experience. Not having access to consistent financial information leads to lack of trust to make informed decisions. There are stressful situations in an individual's life, including life changes such as loss of employment, new employment, divorce or separation, partner or parents' demise. In these situations, financial welfare is paramount and to attain knowledge in finance is essential.

In recent times, employers and governments' role and contribution have reduced drastically in promoting the employees' welfare. The responsibility for handling and determining the well-being of young prospective managers lies with them. Their financial behaviour is greatly affected by high levels of insecurity in a job, the uncertainty of income and ease of access to consumer credit. The existing research in India on literacy in finance is minimal. A country like India with high management graduates, academicians, and professionals to research this area to suggest governments and regulatory authorities improve knowledge and skills in the financial mattes for better financial behaviour.

A significant proportion of the educated population is undergoing management programs, which makes it crucial to measure financial literacy among those students between the age of 19 and 27.

Literature Review

As per **S & P survey (2014)**, in India, literacy in finance is 25 per cent. Out of 27 countries, India is ranked 23rd in the study undertaken by Visa. Steps initiated by the government and other agencies to improve the level of financial literacy. **Agarwala et al. (2012)** 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. The study made by **Koshal et al. (2008)** found that the grades of students of MBA in India do not significantly affect their economic literacy scores.

Kalyani and Kavya Reddy (2018) found that the employees are digitally literate but not financially literate. **Sekhar and Gouri (2015)** studied Gen Y employees and found that factors like gender, education, income, age, etc. impact financial literacy. **Saurabh Sharma. (2015)** their study found that young employees financial literacy is not encouraging. Male literacy is more than female, and it is positively related to education and income levels.

Hibbart et al. (2001), in their study, confirmed the argument that a lack of financial knowledge can make student face financial difficulties. **J. P. Knapp (1991)** stated that a successful strategy is to improve financial literacy to boost people's quality of life. More awareness about money contributes to positive attitudes. It results in better decision-making by better use of assets to improve their standard of living. **Lusardi, Mitchell and Curto (2006)** stated that socio-demographic features and family financial sophistication were strongly related to literacy in finance. Mainly, parents of a college-trained male student who had invested in shares and savings for retirement were more interested to know about risk diversification than women whose parents were having low education levels and not wealthy. Studies by **Marcolin and Abraham (2006); Schuchardt et al. (2008); Remund (2010), and Huston (2010**) have identified while funding is increasing for financial education and literacy, there are still significant setbacks to reduce commonly distributed measures of financial literacy established by comprehensive psychometric analysis.

In his study, **Mark Taylor (2011)** highlighted significant financial literacy determinants. He used a panel data model and discovered various key financial literacy determinants such as age, health, size and structure of the household, tenure of housing, and individual and other household members' employment status. As per **Michael (2009),** an absence of financial literacy can harm individuals' skill to decide on financial matters. Financial advice needs to be provided for people who exhibit financial decision-making problems as an alternative for financial awareness and literacy.

In the study by **Ansong and Gyensare (2012)** among 250 Cape Coast University UG and PG students, literacy in finance is positively related to age, work experience and mothers' education. However, the levels of study, job area, parents education, media access, education, and money does not influence financial literacy. In their study, **Mandell (2008)** measured the average accuracy rate of college students' financial literacy based on their specialisation in what they were learning. The average of all respondents was 61.9 percentage based on the study outcome. However, the Business or Economics specialisation accuracy rate was 62.4 per cent, which is higher than the total average. Its portion was, however, less than Engineering (63.2%), Science (64.0%), and Social Science (64.0%).

Martin Samy's (2007) research found that study year, the status of credit card and daily routine are the determinants of a credit card. These have clear relevance to users' awareness of credit cards. Parents should 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 indicated factors influencing literacy of marginalised female are

- Knowledge, education, money skills, numerical ability, understanding of self-efficacy, and banking operations are necessary for success in everyday life.
- Planning and trusted financial advice.
- Retirement planning and risk aversion are needed.

As per a study made by the Australian government (2011), literacy in finance among marginalised women is low. The research shows that family access to financial services depends on levels of income, banks' distance, age, marital status, gender, household size, and level of education but not on literacy levels. There a likelihood of a financial illiterate is financially excluded and recommended that a financial education curriculum be developed and administered by local, intermediate and higher education institutions.

Marzieh et al. (2013) found that education and age have a relationship with literacy in finance and well-being. Compared to a single person, married persons are more literate, and women are less literate financially than men: higher financial literacy more financial prosperity and less financial worries.

Needs and behaviour of individuals influence the required level of financial literacy. Various studies concluded that the person's age strongly affects financial literacy, apart from residence, earnings; social factors such as the size of family and dependents, the mother's knowledge, financial advice, etc. Majority studies concentrated on students or adults. Understanding the literacy levels in finance of different groups and, in particular, prospective managers is inevitable.

Objective of the Study

The study objective is to assess the impact of socio-demographic factors viz. gender, age, educational qualifications of parents and respondents etc. on financial literacy levels of PG management students

Hypothesis

Hypothesis 1- Ho- There is no significant impact of Gender on Financial literacy.
Hypothesis 2- Ho - Age is not having a significant impact on financial literacy
Hypothesis 3-Ho - Brought up locations is not having a significant impact on financial literacy
Hypothesis 4-Ho - There is no significant impact of education on financial literacy
Hypothesis 5-Ho - Income is not having a significant impact on financial literacy
Hypothesis 6-Ho - There is no significant impact of father's qualification on financial literacy
Hypothesis 7- Ho – There is no significant impact of father's income on financial literacy
Hypothesis 8-Ho–Parents' financial support significantly not having an impact on financial literacy

Limitations of the Study

While performing this study, every task has certain limitations and obstacles. But this does not mean that whenever certain restrictions arise, the assignment should stick up. The need is to try to solve incoming constraints best at one's level. Below are a few study limitations enumerated:

1. Random sampling is adopted for this study, and it has its limitations
2. Respondents may hesitate to provide full facts.
3. The study does not represent all constituent group of the population.
4. Only PG management students have been considered for this study

Methodology

The study's nature is descriptive, and analytical, using primary data, i.e., through questionnaires and secondary sources such as existing published reports. Based on previous studies and reviews, a questionnaire was designed and distributed among management graduate students to find finance literacy among Hyderabad students. Significant questions are from financial knowledge, attitude, and behaviour. Out of the total sample size of 130 PG management students, data collected from 108 management students comprising 46 female and 62 male students from different disciplines in the city of Hyderabad.

The variables studied from this paper's point of view are general demographic variables such as sex, age, education levels, parents' education, income levels, and qualifications and financial variables namely financial knowledge, attitude, and behaviour. Data analytical tools used in the analysis are descriptive statistics such as mean, crosstables, Pearson correlation, regression, and chi-shared test

Data Presentation and Analysis

Table 1 - Socio-demographic variables and financial literacy levels

Serial Number (item)	Socio-economic and demogra-phic factors	Number of respondents (frequency)	Percentage	Financial Literacy levels			Chi-Squared Test at 5% level of significance	Hypothesis – Accept / Reject
				Low (%)	Medium (%)	High (%)		
1	**Gender**							
	Male	62	57.4	7(6.5%)	27(25%)	28(25.9%)	0.001	HO rejected
	Female	46	42.6	2 (1.9%)	36(33.3%	8(7 .4%)		
2	**Age groups**							
	19-21 years	12	11.1	1(0.9%)	7(6.5%)	4(3.7%)	0.468	HO accepted
	22-24 years	81	75	6(5%)	49(45.4%	26(24.1%)		
	25-27 years	12	11.1	2 (1.8%)	4(3.6%)	6(5.5%)		
	>27 years	3	2.8	0	3(2.8%)	0		
3	**Brought up locations**							
	Rural	11	10.2	0	5(4.6%)	6 (5.5%)	0.446	HO accepted
	Semi-urban	33	30.6	4(3.7%)	20(18.5%)	9(8.3%)		
	Urban	64	59.3	5(4.6%)	38 (35.2%)	21(19.4%)		
	Qualifications							

4	B.Com	28	25.9	2(1.9%)	12(11.1%)	14(13%)	0.185	HO accepted
	BA	5	4.6	0	3(2.8%)	2(1.8%)		
	BBA	22	20.4	4(3.6%)	11(10.2%)	7(6.5%)		
	B.Tec	41	38	2(1.8%)	29(26.8%)	10(9.3%)		
	BE.	3	2.8	1(0.9%)	1(0.9%)	1(0.9%)		
	B.Sc	9	8.3	0	7(6.5%)	2(1.8%)		
5	**Part-time income**							
	No	77	71.3	4(3.6%)	47(43.5%)	26(24.1%)	0.172	HO accepted
	Yes	31	28.7	5(4.6%)	16 (14.8%)	10(9.3%)		
6	**Parent's (Father) qualifications**							
	10th	19	7.6	2(1.8%)	10(9.3%)	7(6.5%)	0.846	HO Accepted
	Inter	23	21.3	3(2.8%)	12(11.1%)	8(7.4%)		
	Degree	46	42.6	3(2.8%)	26(24.1%)	17(15.7%)		
	PG	14	13	1(0.9%)	10(9%)	3(2.7%)		
	Professional	6	5.6	0	5(4.6%)	1(0.9%)		
7	**Parent's (Father) income- (P/M)**							
	<Rs.25,000	19	17.6	1(0.9%)	13(12%)	54.6%)	0.639	HO accepted
	25000-50000	29	26.9	4	13(12%)	13(12%)		
	50000-75000	26	24.1	2(1.8%)	16(14.8%)	6(5.5%)		
	75000-100000	12	11.1	0	98.3%)	4(3.6%)		
	>100000	22	20.4	2(1.8%)	12(11.1%)	8(7.4%)		
8	**Parents financial support (p/m)**							
	<5000	40	37	1(0.9%)	6(5.6%)	2(1.8%)	0.742	HO accepted
	5000 -10000	39	36.1	2(1.8%)	26(24.1%)	12(11.1%)		
	10000-15000	16	14.8	2(1.8%)	6(5.5%)	8(7.4%)		
	15000-20000	4	3.7	0	3(2.8%)	1(0.9%)		
	>20000	9	8.3	4(3.6%)	22(20.3%)	13(12.0%)		

Financial Literacy Levels:

Table 2: Financial Literacy levels

	Frequency	Per cent	Valid Percent	Cumulative Percent
No literacy	9	8.3	8.3	8.3
Low literacy	63	58.3	58.3	66.7
High literacy	36	33.3	33.3	100.0
Total	108	100.0	100.0	

Descriptive findings

Based on Table 1, male respondents are 57% (62), and the rest is 43% (46). 75% of the respondents fall under the age group for 22-24 years pursuing the PG management program. Majority of the respondents are 59% (64) are brought up from urban (cities) compared to rural (10%) and semi-urban (31%). Concerning undergraduate qualification of this PG management students, 41% (44) of respondents are from technical and engineering background (B.Tec and BE), 26% from commerce background, 20% from business administration and the remaining 13% are from arts and science background. Majority of the respondents (71%) do not have any sort of regular income, and only 29% have part-time income from salary. Considering the parents' qualifications, the majority of fathers' of the respondents have degree qualification(43%) very few have PG (13%)n and professional qualification (6%). 27% of parent's (fathers') income is falling under Rs.25,000 to 50,000 and 20% is falling grater than Rs.1,00,000 per month. 37% of parents' respondents supporting their wards with the monthly financial support of less than $s.5,000, and 36% of respondents support with RS.5,000 to 10,000 every month.

I. Gender and Financial literacy level:

Table 1, item 1 shows that male students (26%) are highly financially literate compared to female students. Most of the students, both male and female, are moderately literate in finance (58%) and only 8% fall under a low level of literacy in finance. The Chi-Squared test revealed that gender has a significant impact on financial literacy; hence, hypothesis 1 that gender does not significantly impact financial literacy is rejected. The alternative view is accepted.

II. Age and financial literacy:

Table 1, item 2 shows that the age group between 22-24 years is more financially literate (24%) than other age groups. As the age increases knowledge may increase, but it may not be right with financial education since it needs to be explicitly acquired. The Chi-squared test showed that H1 is rejected and Hypothesis 2 is accepted; hence, there is no significant impact of age on financial literacy.

III. Brought up locations and financial literacy:

It is clear from Table 1 item 3 that urban brought up students are more literate in finance than semi-urban and rural brought up students may be due to more avenues to acquire financial information. The test results indicated that Hypothesis 3 is accepted and H1 is rejected; hence, the location does not significantly impact financial literacy.

IV. Educational qualification and financial literacy:

As per Table 1 item 4, commerce stream undergraduates are more financially literate than other streams such as technology, arts and science. Based on the Chi-squared test, Hypothesis 4 is accepted, and the H1 alternative hypothesis is rejected, stating that there is a significant impact of educational qualification on literacy in finance.

V. Part-time income and financial literacy:

Table 1 item 5 shows that 29%% of respondents have a part-time income in salary, etc. The majority (71%) are supported financially by parents. However, out of the highly literate in finance are from not having any part-time income. It shows that low-income people are more concerned about finance. The Chi-squared test results showed that Hypothesis H1 is rejected and HO is accepted, stating that there is no significant impact of regular income on literacy in finance.

VI. Parent (father's) qualification and financial literacy:

Table 1 item 6 is clearly showing that the fathers' of the respondents who are having undergraduate qualification are highly literate in finance than others. It indicates that undergraduate parents (fathers) are more concerned about money matters. The test results of Chi-square showed that Hypothesis 6 is accepted, stating that there is no significant impact of fathers' qualification on financial literacy, and H1 alternative hypothesis is rejected.

VII. Parent (father's) income levels and financial literacy:

It is clear from Table 1 item 7 that those parents (fathers') whose income is between Rs.25,000 to 50,000 per month are highly literate in finance compared to higher or lower income levels of parents. There is no link that higher earnings parents wards are highly financially literate. The Chi-squared test showed that alternative hypothesis that fathers' income level is having a significant impact on financial literacy is rejected and Hypothesis H7 is accepted.

VIII. Parent financial support and financial literacy:

Finally, from Table 1, item 8, 36% of parents support their wards to the extent of Rs.5,000 to 10000. They are more financially literate than those parents whose support is more than Rs.10,000 per month to their wards. It also indicates that wards who get moderate financial aid are more interested in financial matters. The Chi-squared test results showed that Hypothesis 10- HO is accepted and H1 is rejected, stating that parents' financial support significantly impacts financial literacy.

From the Table 2, it is concluded that the levels of financial literacy are low, i.e., 33%, i.e., out of 108 respondents, only 36 are only highly literate in finance and majority are having low literacy levels.

Conclusion

The analysis shows that 33% of respondents are highly financially literate, which is better than the national average of 25% as per S & P survey conducted in 2014; however, the financial literacy level is not encouraging. In Hyderabad, most students pursuing PG program in Management are from technical and engineering backgrounds compared to commerce, arts and science streams. Commerce stream students are more financially literate than other stream students since they study financial concepts in their undergraduate program. Students who do not have any part-time income are more literate in finance than other students who have part-time earnings since they may be more concerned about financial matters.

The study showed that respondents' financial literacy levels change significantly based on the demographic feature as a gender than by traits such as age, self and parents education, self and parent's income, and parent's financial support. The overall literacy level in finance is low among PG Management students in Hyderabad city, and the concerned government and non-government agencies should initiate necessary measures to increase financial skills.

Every need is there to equip with right financial information, knowledge and literacy by PG management students' as they will earn money shortly by joining in one or the other commercial or non-commercial entities as managers or establishing their entities. They need to have a proper and adequate financial knowledge level to manage themselves and business.

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