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Exploring Financial Awareness among College Students in Chennai City

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ABSTRACT

Financial literacy is crucial for college students as they begin managing their own finances, learning to budget, save, and make informed spending decisions. Many rely on loans to fund their education, making it essential to understand interest rates, repayment terms, and the long-term impact of debt. Financial literacy also supports responsible credit use and prepares students for future financial responsibilities such as salary negotiations and career choices.

This study assesses the financial literacy of 300 college students in Chennai, focusing on their knowledge of budgeting, saving, credit management, and long-term financial planning. The research examines the influence of demographic factors like age, gender, and academic discipline on financial knowledge and compares financial literacy across different student groups.

The findings reveal that whiles students possess theoretical knowledge of financial concepts, they lack practical application, particularly in long-term planning. The study highlights gaps in financial education and recommends improvements in financial literacy programs to better equip students for their financial futures.

Keywords: Financial Literacy, Budgeting, College Students, Credit Management, Loans, Long-term Planning, Knowledge Gaps, Chennai.

1. INTRODUCTION

Financial literacy refers to the set of knowledge, skills, and behaviours that enable individuals to make informed and effective decisions regarding their financial resources. It encompasses the ability to understand and apply financial concepts, manage personal finances, and navigate the complex financial landscape. Therefore, financial literacy has turned out to be one of the essential skills that is mandatory for directly engaging with the challenges of life. College students, being individuals who are on the brink of the prime phase of individual and professional development ought to possess an adequate level of financial literacy to manage personal finance. This is very crucial especially for the youth in Chennai who are generally brought under a conservative socio-economic circumstance. Therefore, financial self-survival and self-reliance demonstrates that base of financial competences for a compact future with prudence in spending.

Financial illiteracy can have several negative effects on individuals and society. Lack of financial knowledge can lead to uninformed decisions, such as choosing high-interest loans, overspending, or investing in risky schemes without understanding the implications. Without a clear understanding of savings, investment options, or the benefits of compounding, people may fail to plan for emergencies and retirement, leading to financial insecurity later in life. People lacking financial knowledge are more susceptible to predatory lending, fraud, and scams, which can lead to severe financial losses and distress. Addressing financial illiteracy through targeted education can help mitigate these adverse effects, promoting better financial health and stability.

It is emphasised again that this research aims to find out the degree of the financial knowledge quotient existing amongst the college students in Chennai, the categorisation of characteristics on their fiscal understanding and the evaluation of the existing monetary education programmes. Thus, highlighting these aspects, the study intends to provide useful advice for the educators as well as for the students themselves and, therefore, progress well in execution of monetary responsibilities on the way.

PROBLEM STATEMENT:

The increasing importance of financial literacy for college students, especially in Chennai, where conservative socio-economic circumstances prevail, highlights the need for students to develop essential financial skills. Despite being at a critical phase of personal and professional development, many students lack the necessary financial knowledge and practical application to manage personal finances effectively. Financial illiteracy can lead to poor decision-making, such as choosing high-interest loans, overspending, and being vulnerable to fraud. This research seeks to assess the current financial literacy levels of college students in Chennai, examine the impact of existing educational programs, and identify knowledge gaps, aiming to provide insights for improving financial education and fostering financial self-reliance.

REVIEW OF LITERATURE:

1. In their paper titled "Factors that Influence Financial Literacy among Engineering Students," Binoy Thomas and P. Subhashree examine the key factors affecting financial literacy among engineering undergraduates. Analyzing data from 253 students, the study concludes that financial attitudes, family influence, and peer pressure significantly shape financial literacy. The authors also stress the importance of sustained efforts to improve financial literacy in this group. [1]

2. James C. Brau, Andrew L. Holmes, and Craig L. Israelsen, in their paper "Financial Literacy among College Students," to evaluate the effectiveness of different sources of financial literacy education for young adults. By surveying 1,500 college students, they use a financial literacy quiz to assess participants' knowledge and collect socio-demographic data across three categories: family background, formal education, and experiential learning. Their findings reveal that family background has minimal impact, while experiential learning is the most influential source of financial literacy. [2]

3. In this study "Financial Literacy among University Students: A Study in Eight European Countries," Kutu Ergun examines financial literacy levels in students from Germany, Italy, Estonia, Poland, the Netherlands, Romania, Turkey, and Russia. Using data from 409 students, regression analysis reveals that financial literacy is moderately high, with demographic factors such as gender, major, housing status, and nationality influencing knowledge. The study suggests that male students, business majors, and PhD students exhibit better financial literacy, and highlights the need for more financial courses in higher education. [3]

4. Nesrin Akca, Seda Sonmez, Tolga Sener, and CandoganAkca, in their paper "An Evaluation of the Effect of Financial Literacy Education on Financial Literacy among College Students," evaluate how financial literacy education influences students' knowledge. The study, conducted on 149 students at a vocational school, reveals that financial literacy education significantly improves literacy levels. It also shows that gender, class level, internet banking usage, and fathers' education significantly affect financial literacy. [4]

5. In the paper "Determination of Factors Affecting the Financial Literacy of University Students in Eastern Anatolia using Ordered Regression Models," Omer Alkan, Erkan Oktay, Seyda Unver, and Esmer Gerni investigate financial literacy determinants among 1,008 students at Ataturk University. Using the ordered logistic and probit regression models, the research identifies age, gender, marital status, field of study, personal income, and financial news consumption as key factors affecting financial literacy. It also notes lower literacy levels among women, younger students, and those studying science. [5]

RESEARCH GAP:

Even while financial literacy is becoming more and more important in today's market, there is still little research on the subject, especially among students in Chennai. Studies that have been done mostly focus on larger populations in different countries and there is a significant knowledge gap in this area. Our study aims to fill this gap by specifically focusing on financial literacy among students in Chennai, offering insights into their financial competencies and areas where educational interventions may be needed.

RESEARCH OBJECTIVES

1. To measure the existing financial knowledge and skills of college students in Chennai.
2. To examine the different sources of financial knowledge.
3. To assess the level of financial literacy in the topics of budgeting, investing, and credit management.

SCOPE OF THE STUDY

This study focuses on assessing the financial literacy of college students in Chennai across various academic disciplines, including Commerce, Science, Arts, Engineering, and Technology. It examines their understanding of key financial concepts such as budgeting, saving, credit management, loan repayment, and long-term financial planning. The research also explores the influence of demographic factors such as age, gender, and socioeconomic background on financial literacy levels. Additionally, it evaluates the effectiveness of current financial education programs offered by colleges and identifies specific knowledge gaps that hinder students' ability to make informed financial decisions. The findings aim to provide recommendations for improving financial literacy education and enhancing students' financial competencies for future financial stability and independence.

2. METHODOLOGY OF THE RESEARCH

Research Design:
The research also employed a kind of descriptive research design techniques like ANOVA which stands for Analysis of Variance, Linear Regression were applied.

Sample Selection:
Target college students in Chennai from a diverse range of disciplines, including commerce, engineering, arts, and sciences.

Data Collection Methods:
This study utilized primary data collection through a Google Forms survey, which was circulated among college students in Chennai. A total of 210 responses were gathered, out of which 90 valid responses were selected for analysis. The survey focused on assessing the students' financial knowledge and skills in areas such as budgeting, saving, credit management, and long-term financial planning. This primary research provides a firsthand understanding of the financial literacy levels among students and helps identify key knowledge gaps.

FINDINGS:

Chart 1: Understanding of Personal Finance of the participants of the research

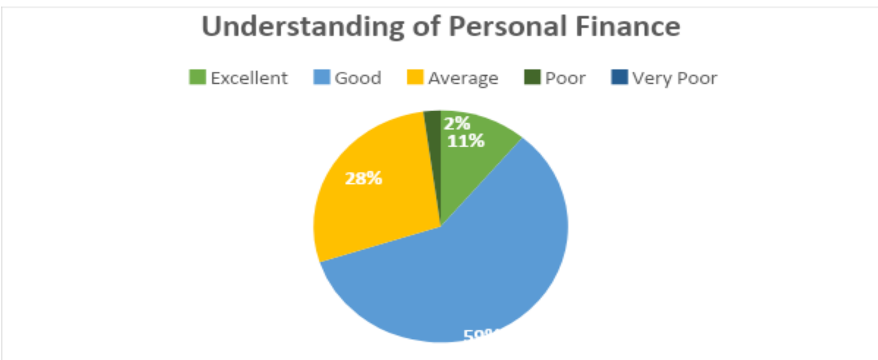

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Chart 1 shows that significant majority of college students in Chennai had a “good” (58.9%) or "Excellent" (11.1%) understanding of personal finance. This advises that a considerable portion of the surveyed residents possesses a positive perception of their financial knowledge. 2.2% of students rated their understanding as "Poor."

Chart 2: Source of Financial Knowledge

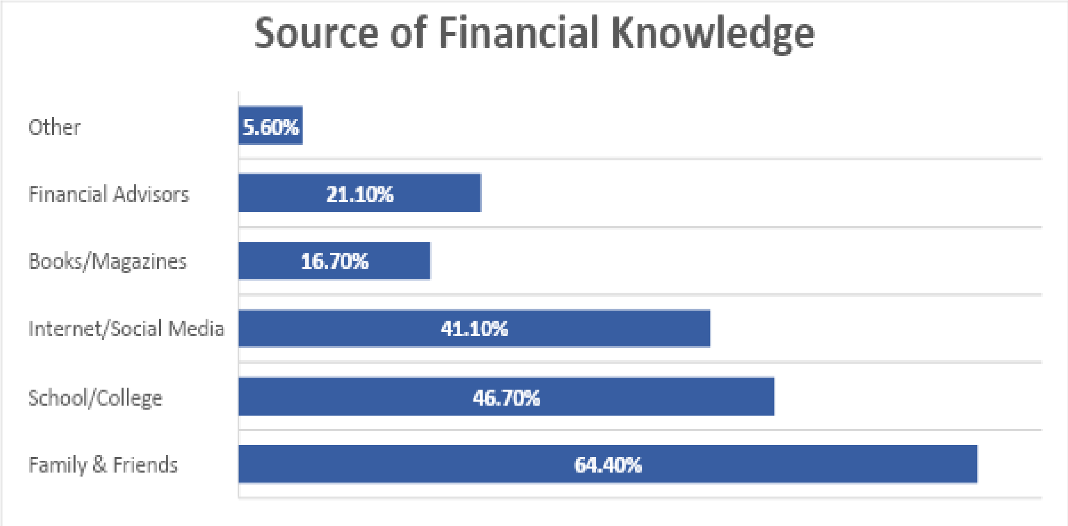

Chart 2 shows that the majority of college students in Chennai (65.70%) learn about personal finance primarily from family and friends, followed by schools/colleges (46.70%). Online resources like the internet and social media are also significant sources of information for (41.10%) of students. Books/magazines and financial advisors are fewer common sources, utilized by (16.70%) and (21.10%) of students, respectively.

Chart 3: Familiarity with Financial Concepts

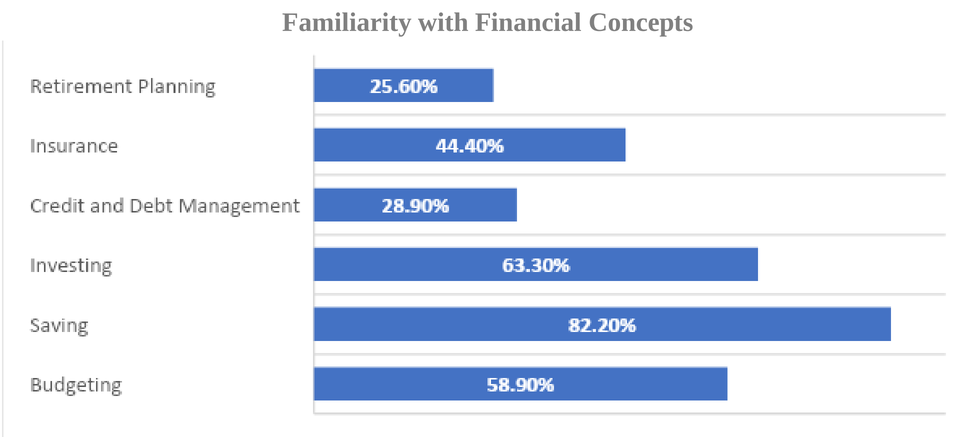

Chart 3 reveals that college students in Chennai have a strong understanding of basic financial concepts. A majority of students are familiar with saving (82.20%), investing (63.30%), and budgeting (58.90%). However, there is a significant gap in knowledge regarding credit and debt management (24.30%), insurance (44.40%), and retirement planning (25.60%). Students have a solid grasp of fundamental financial concepts like saving, investing, and budgeting. Areas such as credit and debt management, insurance, and retirement planning require more attention.

Chart 4: Personal Budget Adherence

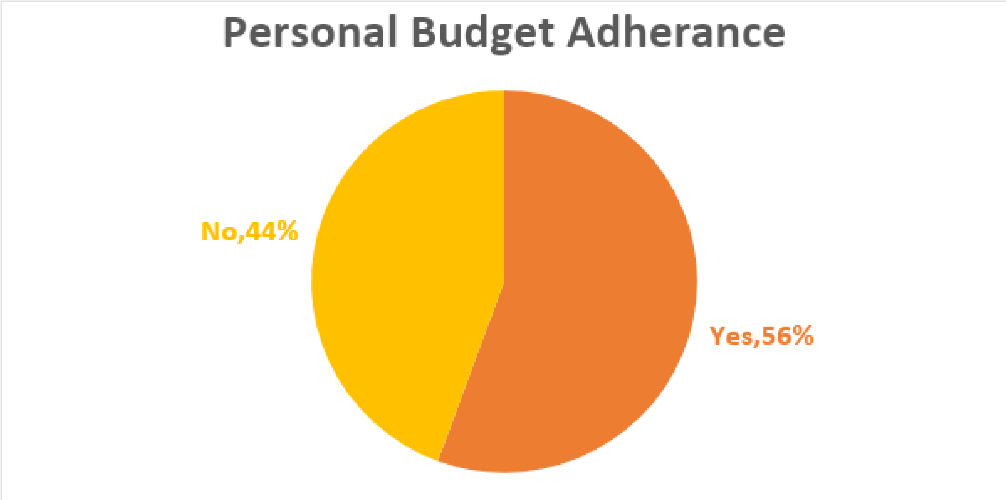

Chart 4 indicates that nearly half of the college students surveyed in Chennai (55.6%) reported having a personal budget that they follow. This indicates a growing awareness of the importance of budgeting among young people in the city. However, over half of the students (44.4%) do not have a personal budget, suggesting a need for further education and support in this area.

Chart 5: Regular Savings Habit

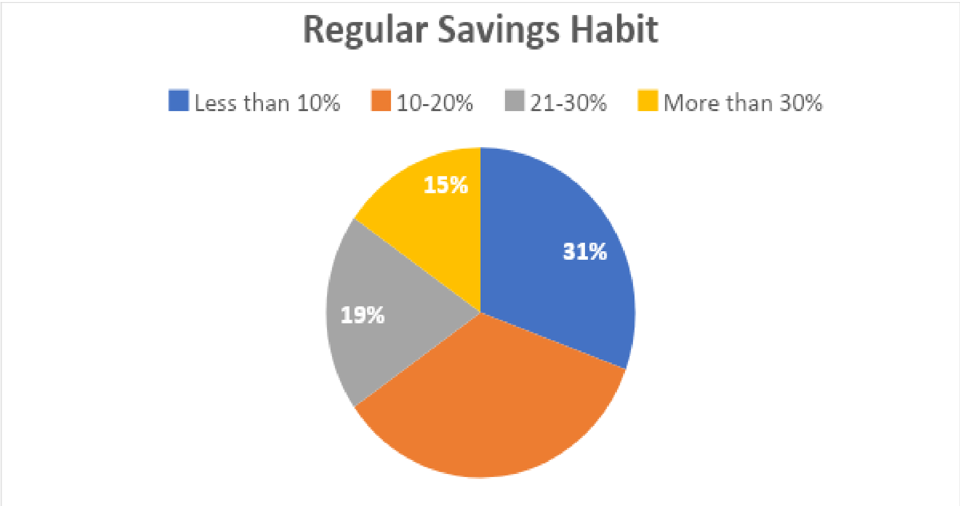

Chart 5 reveals that a significant majority of college students in Chennai (34.7%) have a regular savings habit. This indicates a positive trend towards financial discipline among city youth. However, over a quarter of the students (30.6%) do not save regularly, signifying a requirement for further education and support in this zone. These findings highlight the value of promoting savings habits among college students in Chennai. Educational programs and financial counselling can help students develop a savings plan, set financial goals, and understand the benefits of saving for the future.

Chart 6: Investment Ownership

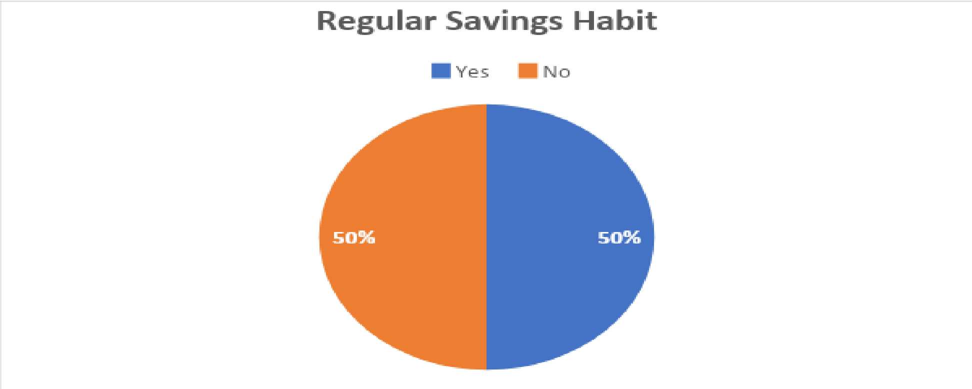

Chart 6 reveals that a significant portion of college students in Chennai (50%) have investments, indicating a growing interest in financial planning and wealth accumulation among young people in the city. However, over half of the students (50%) do not have any investments, suggesting a need for further education and support in this area. These results highlight the significance of promoting investment education for college students in Chennai. By encouraging students to explore investment options and understand the benefits of long-term investing, we can empower them to build a strong financial future.

i. The Analysis of descriptive statistics comparing gender and the understanding of personal finance and field of study.

1. Understanding of Personal Finance vs. Gender

Table 1 presents descriptive statistics comparing gender and the understanding of personal finance among 90 participants. The table shows a comparison between gender and how well people understand personal finance.

The minimum value of gender is 1 (indicating male) and the maximum is 2 (indicating female). The mean value is 1.43 with a standard deviation of 0.498, suggesting that the sample has a slightly higher representation of male students. The minimum value for understanding personal finance is 2, and the maximum is 5 (on a scale of 1 to 5, with 5 being excellent understanding). The mean value is 3.79, with a standard deviation of 0.662. This suggests that the majority of the students rated their understanding as slightly above average (between 3 and 4, indicating "good" knowledge).

Table 1: Understanding of Personal Finance vs. Gender

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Gender	90	1	2	1.43	.498
Understanding of personal finance?	90	2	5	3.79	.662
Valid N (listwise)	90				

This suggest that there is a reasonable distribution in the understanding of personal finance across the sample, with most students rating themselves as having good financial knowledge. However, the standard deviation indicates there is some variability in the responses, meaning some students rate their understanding higher or lower than the average.

2. Understanding of Personal Finance vs. Field of Study

Table 2 compares field of study and their understanding of personal finance, based on responses from 90 individuals. The table compares how people from different fields of study understand personal finance. The fields of study are spread across five categories.

The field of study was measured on a scale from 1 to 5. The minimum value is 1, and the maximum is 5, suggesting that students from multiple disciplines (e.g., commerce, arts, engineering, etc.) were included. The mean value for the field of study is 2.49 with a standard deviation of 1.019, implying that there is a fairly even distribution of students from different academic backgrounds. The mean value of understanding of personal finance is 3.79 shows that students generally have a positive assessment of their financial understanding.

Table 2: Understanding of Personal Finance vs. Field of Study

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Field of Study	90	1	5	2.49	1.019
Understanding of personal finance?	90	2	5	3.79	.662
Valid N (listwise)	90				

This suggest that students from different academic disciplines have self-reported similar levels of financial literacy, although there may be slight variations across different fields.

ii. The Analysis of the relationship between personal finance, gender and field of study.

1. Understanding of Personal Finance vs. Gender

Table 3 shows the correlation between gender and the understanding of personal finance among 90 participants. It shows the connection between gender and how well people understand personal finance. The correlation between gender and financial understanding is very small which means that gender doesn't really affect how well people understand personal finance.

Hypotheses:

Null Hypothesis (H_0): No significant relationship exists between the gender and the understanding of personal finance

Alternative Hypothesis (H_1): A significant relationship exists between the gender and the understanding of personal finance.
The Pearson correlation coefficient is -0.026, with a p-value of 0.807. This correlation value is very close to 0, indicating an almost non-existent relationship between gender and understanding of personal finance. The p-value (0.807) is greater than 0.05, indicating that the correlation is not statistically significant.

Table 3: Understanding of Personal Finance vs. Gender

Correlations

		Gender	Understanding of personal finance?
Gender	Pearson Correlation	1	-.026
	Sig. (2-tailed)		.807
	N	90	90
Understanding of personal finance?	Pearson Correlation	-.026	1
	Sig. (2-tailed)	.807	

	N	90	90

Interpretation: There is no significant relationship between gender and understanding of personal finance. Both male and female students in the sample reported similar levels of financial literacy. Thus, gender does not seem to play a role in determining how well students understand financial concepts.

2. **Understanding of Personal Finance vs. Field of Study**

Table 4 shows the correlation between the field of study and the understanding of personal finance among 90 participants. It highlights the connection between a person's academic discipline and their financial literacy. The correlation between field of study and financial understanding is very weak, indicating that one's field of study does not significantly affect their understanding of personal finance.

Hypotheses:

Null Hypothesis (H_0): There is no significant relationship between the field of study and personal finance understanding.

Alternative Hypothesis (H_1): There is a significant relationship between the field of study and personal finance understanding.

The Pearson correlation coefficient is -0.028, with a p-value of 0.790. Similar to gender, this value is very close to 0, suggesting an extremely weak and statistically insignificant relationship between field of study and understanding of personal finance. The p-value (0.790) further supports the insignificance of the relationship.

Table 4: Understanding of Personal Finance vs. Field of Study

Correlations

		Field of Study	Understanding of personal finance?
Field of Study	Pearson Correlation	1	-.028
	Sig. (2-tailed)		.790
	N	90	90
Understanding of personal finance?	Pearson Correlation	-.028	1
	Sig. (2-tailed)	.790	
	N	90	90

Interpretation: There is no significant relationship between a student's field of study and their understanding of personal finance. Students across different academic disciplines, such as commerce, arts, science, and engineering, exhibit similar levels of financial literacy.

iii. **A Study about dependant variable and independent variable of personal finance and the gender.**

1. **Understanding of Personal Finance vs. Gender**

Table 5 shows the relationship between gender and the understanding of personal finance, where gender is the independent variable. It indicates that gender was entered as a predictor, with no other variables removed. **Table 6** presents a summary of the model and **Table 7** provides the ANOVA results of understanding personal finance and gender based on the sample of 90 participants.

The dependent Variable is understanding of personal finance and the independent Variable is gender. The Model Summary indicates R-squared as 0.001 which means that gender explains only 0.1% of the variance in students' understanding of personal finance. This is extremely low, indicating that gender is not a useful predictor of financial literacy. ANOVA indicate the F-value as 0.060, with a p-value = 0.807 which confirms that the model is not statistically significant, meaning gender does not have a significant impact on financial literacy. The unstandardized coefficient for gender is -0.035, with a p-value of 0.807 which suggests that a change in gender (from male to female) has no meaningful effect on the understanding of personal finance.

Table 5: Understanding of personal finance vs. Gender

Variables Entered/Removed a

Model	Variables Entered	Variables Removed	Method
1	Gender b	.	Enter

a. Dependent Variable: Understanding of personal finance
b. All requested variables entered.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.026 a	.001	-.011	.665

a. Predictors: (Constant), Gender

Table 7: ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.027	1	.027	.060	.807[b]
	Residual	38.962	88	.443		
	Total	38.989	89			

a. Dependent Variable: Understanding of personal finance
b. Predictors: (Constant), Gender

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	3.839	.215		17.882	.000	3.412	4.265
Gender	-.035	.142	-.026	-.245	.807	-.316	.247

a. Dependent Variable: Understanding of personal finance

Interpretation: Gender is not a statistically significant predictor of financial literacy among college students. The negligible R-squared value further highlights that gender explains virtually none of the variability in students' understanding of financial concepts

2. **Understanding of Personal Finance vs. Field of Study**

Table 8 shows the relationship between the field of study and the understanding of personal finance, with the field of study as the independent variable. It indicates that the field of study was entered as a predictor, with no other variables removed. **Table 9** presents a model summary and **Table 10** provides the ANOVA results of field of study and understanding of personal finance.

The dependent Variable is understanding of personal finance and the independent Variable is Field of Study. Model Summary indicate R-squared as 0.001 which indicates that the field of study explains only 0.1% of the variance in financial literacy. This suggests that the field of study has almost no predictive power in determining students' financial knowledge. ANOVA indicate the F-value as 0.072, with a p-value = 0.790 which indicates that the regression model is not statistically significant, and the field of study does not have a significant impact on financial literacy. The unstandardized coefficient for the field of study is -0.019, with a p-value of 0.790. This means that changes in the field of study do not significantly impact the understanding of personal finance.

Table 8: Understanding of Personal Finance vs. Field of Study

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Field of Study[b]	.	Enter

a. Dependent Variable: Understanding of personal finance
b. All requested variables entered.

Table 9: Understanding of Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.028[a]	.001	-.011	.665

a. Predictors: (Constant), Field of Study

Table 10: ANOVA

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.032	1	.032	.072	.790[b]
	Residual	38.957	88	.443		
	Total	38.989	89			

a. Dependent Variable: Understanding of personal finance
b. Predictors: (Constant), Field of Study

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	3.835	.186		20.626	.000	3.465	4.204
	Field of Study	-.019	.069	-.028	-.267	.790	-.156	.119

a. Dependent Variable: Understanding of personal finance

Interpretation: Field of study does not have a statistically significant influence on financial literacy. Students across different academic disciplines have similar levels of understanding when it comes to personal finance, further confirming the results from the descriptive and correlation analyses.

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FINDINGS:

Descriptive statistics revealed that a majority of students rated their understanding of personal finance as "good," with a mean score of 3.79 out of 5. Gender representation in the sample was slightly skewed towards male students, and students from various academic disciplines were represented.

Correlation analysis indicated no significant relationships between gender and understanding of personal finance ($r = -0.026$, $p = 0.807$) or between field of study and understanding of personal finance ($r = -0.028$, $p = 0.790$). This suggests that financial literacy levels are similar across genders and academic disciplines.

Regression analysis confirmed that neither gender nor field of study significantly predicts students' understanding of personal finance. The low R-squared values (0.001) for both models indicate that these variables explain almost none of the variance in financial literacy. The ANOVA results and regression coefficients further support the conclusion that these relationships are not statistically significant.

CONCLUSION:

A significant majority of college students in Chennai had a good understanding of personal finance. The various sources of financial knowledge identified include family and friends, schools/colleges, online resources like the internet and social media, books/magazines and financial advisors. Among the topics of budgeting, investing, credit and debt management, saving, investing and retirement planning, a majority of students are familiar with saving, investing and budgeting. Although there is an awareness of basic financial principles, there is a clear need for targeted financial education to help students gain practical financial management skills and long-term planning capabilities. The result of this is that the students will be equipped with enough knowledge for Better Money Management Skills, Reduced Financial Stress and Anxiety, Improved Savings, and Investment Decisions, Protection Against Financial Fraud, Effective Debt Management and Retirement Readiness. By equipping college students with these skills, financial literacy will undoubtedly contribute to both personal financial well-being and the broader economic stability of communities, significantly.

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